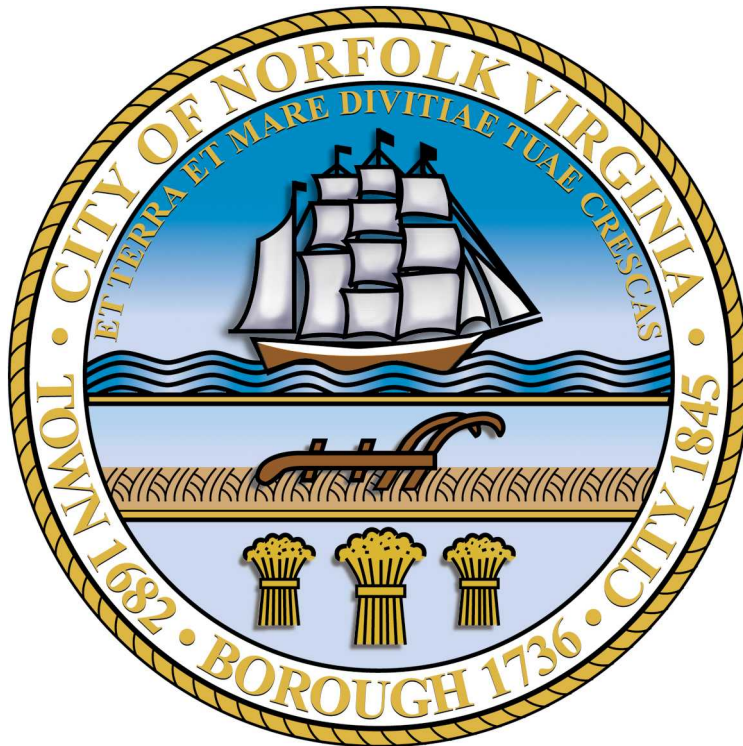


---

# Budget Overview

---



This page intentionally left blank

# ACKNOWLEDGMENTS

---

The preparation of the city's annual resource allocation plan requires a tremendous amount of hard work and dedication on the part of many people. Developing expenditures and revenues information requires varying sources of data and multiple perspectives.

The FY 2022 Budget was developed with the assistance of many who deserve acknowledgment and appreciation:

- Residents of the city and civic league members, particularly those who attended community outreach meetings
- Members of the city's Employee Relations Committee
- Executive budget team
- Department and office directors
- Members of the business community
- Council Appointees
- Constitutional Officers

Special recognition and gratitude to the Department of Budget and Strategic Planning staff who worked to prepare this year's budget.

## **Director, Department of Budget and Strategic Planning**

Gregory Patrick

## **Department of Budget and Strategic Planning Staff**

Irric Apolonio, Peter Buryk, Megan Erwin, Brent Esber, Patricia Harrison, Frennyrose Jenkins, Carl Larsen, Pamela Marino, Betty Meyer, Seth Parker, Cecelia Rieb, Traquita Simmons, Natasha Singh-Miller, Anne Marie Strano, Natasha Turner, Emily Uselton, Andréa Vargas, Chelsea West, and Amanda Workman.

**City Manager,**

A handwritten signature in black ink, appearing to read 'L. H. Filer', written over a light gray rectangular background.

**Larry H. Filer, Ph.D.**

# DISTINGUISHED BUDGET PRESENTATION AWARD

---



GOVERNMENT FINANCE OFFICERS ASSOCIATION

## *Distinguished Budget Presentation Award*

PRESENTED TO

**City of Norfolk**

**Virginia**

For the Fiscal Year Beginning

**July 1, 2020**

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Norfolk, Virginia for its annual budget for the fiscal year beginning July 1, 2020. The review process by GFOA has not commenced for the annual budget for the fiscal year beginning July 1, 2021.

This prestigious award is presented to governmental entities that prepare budget documents which exhibit the highest qualities in meeting or exceeding both the guidelines established by the National Advisory Council on State and Local Budgeting and GFOA's standards of best practices. Documents submitted for the Budget Awards Program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in public-sector budgeting. The award is valid for a period of one year. The FY 2022 budget continues to conform to program requirements and will be submitted to GFOA for award eligibility.

# CITY OF NORFOLK GOVERNMENT

---

Norfolk City Council is the legislative body of the city government. It is authorized to exercise all the powers conferred upon the city by the Commonwealth of Virginia in the state constitution, state laws, and the Charter of the City of Norfolk.

City Council is composed of eight members. Seven members are elected through a ward system, and the Mayor is elected at large by the residents of Norfolk. These members elect a vice president (Vice Mayor) of the Council. For further information on the duties, powers, and meetings of the Council, call the Office of the City Clerk, 757-664-4253.

The City Council meets the first, second, and fourth Tuesday of each month in Norfolk City Hall. There are two formal meetings held at 7:00 p.m. in the Council Chambers on the second and fourth Tuesday. Work sessions are held prior to the formal meetings and on the first Tuesday of each month. Starting times of the work sessions are determined by the agenda.

The City of Norfolk operates under a Council-Manager form of government whereby the Council appoints a chief executive, the City Manager, Larry "Chip" Filer, PhD. The Council also appoints a City Attorney, Bernard A. Pishko; City Auditor, Tammie Dantzler; City Clerk, Richard A. Bull; and City Real Estate Assessor, W.A. (Pete) Rodda.

# NORFOLK CITY COUNCIL AND CITY MANAGER

---



Mayor  
Kenneth Cooper Alexander, Ph.D.



Vice Mayor  
Martin A. Thomas Jr.  
Ward 1



Council Member  
Courtney R. Doyle  
Ward 2



Council Member  
Mamie B. Johnson  
Ward 3



Council Member  
Paul R. Riddick  
Ward 4



Council Member  
Thomas R. Smigiel Jr.  
Ward 5



Council Member  
Andria P. McClellan  
Superward 6



Council Member  
Danica Royster  
Superward 7



City Manager  
Larry "Chip" Filer, Ph.D.

# CITY OF NORFOLK WARD MAP

---



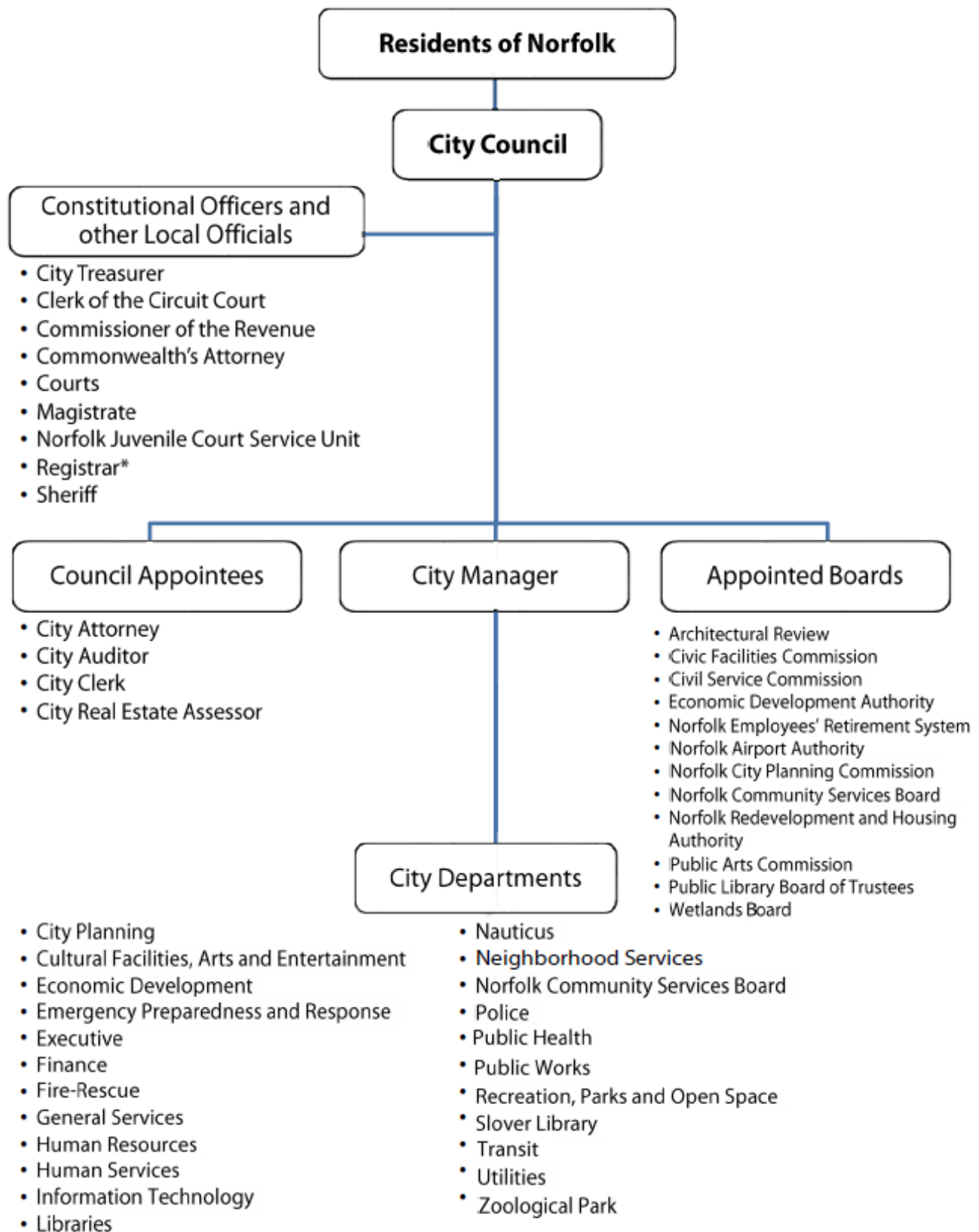
# CITY COUNCIL'S VISION FOR NORFOLK

---

## **Vision Statement**

- Norfolk is a national leader in the quality of life offered to all its citizens.
- This is achieved through effective partnerships between city government and its constituents.
- As a result, Norfolk is a physically attractive, socially supportive, and financially sound city.
- Here, the sense of community is strong.
- Neighborhoods are designed so that people of all ages can know their neighbors and travel the streets and sidewalks safely.
- The sense of community exists citywide.
- Norfolk is known nationally as a strategically located place where there are abundant and fulfilling employment, recreational, and educational opportunities.

# CITY OF NORFOLK ORGANIZATIONAL CHART



\*Appointed by State Board of Elections

# READER'S GUIDE TO THE BUDGET

---

## PURPOSE

---

The budget is an instrument that sets policy and summarizes public service programs provided by the city government and how the programs are funded. It is the annual plan for coordinating revenues and expenditures. The budget presented covers the period of **July 1, 2021 to June 30, 2022**. The amounts for FY 2022 are adopted through the appropriation ordinance adopted by the City Council. The Adopted Budget document may include technical changes made after the City Manager's presentation of the proposed budget to the City Council.

## BUDGET OVERVIEW

---

This section provides information on budget and financial policies, fund structure, basis of budget and accounting, budget process, budget calendar, and the city's organizational chart. The section also includes revenue and expenditure summaries, discussion of major revenue sources, indebtedness, and personnel staffing. Historical revenue and expenditure amounts for FY 2020 provided in the summaries do not include designations and financial adjustments posted after June 30, 2020. FY 2022 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to the City Council.

## GENERAL FUND REVENUE AND EXPENDITURE

---

The General Fund is used to account for primary government services. A summary of historical and estimated revenue from each source is provided for the General Fund. For each department within the General Fund, a summary of historical and approved expenditures is provided. Historical revenue and expenditure amounts for FY 2020 do not include designations and financial adjustments posted after June 30, 2020. FY 2022 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to the City Council.

## STRATEGIC GOALS AND OBJECTIVES

---

This section provides an overview of the city's focus areas and strategic direction.

## PERFORMANCE MEASURES

---

The city has previously displayed performance measures for city departments within each individual department page. As the city shifts to a program budgeting model, performance measures will be reevaluated and updated to better measure outcomes and impacts of the programs. FY 2022 will be a transition year in which performance measures have been removed from individual department pages and consolidated in this section.

## ANNUAL GRANTS PLAN

---

This section provides an overview of the grants that the city anticipates to receive annually from federal, state, and other agencies that are dedicated for specific purposes. This information provides readers a more complete picture of the city's resources available to provide programs and services for residents.

## DEPARTMENT BUDGETS

---

This section provides detailed information on the budget of each department within the General Fund. A brief description of Adopted FY 2022 budget actions and their impact on the budget and full time equivalent (FTE) personnel are provided in this section. Historical revenue and expenditure amounts for FY 2019 and FY 2020 provided in the department summaries do not include designations and financial adjustments posted after June 30 of each fiscal year. FY 2022 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to the City Council.

## PUBLIC SCHOOL EDUCATION

---

This section provides information on the adopted appropriation for Norfolk Public Schools. FY 2022 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to the City Council.

## SPECIAL REVENUE, ENTERPRISE, AND INTERNAL SERVICE FUNDS

---

These sections provide detailed information on the adopted budget of the city's Special Revenue, Enterprise, and Internal Service Funds. A brief description of the Adopted FY 2022 budget actions and their impact on the budget and full time equivalent (FTE) personnel are provided in this section. Historical revenues and expenditures for FY 2019 and FY 2020 provided in the department summaries do not include designations and financial adjustments posted after June 30 of each fiscal year. FY 2022 adopted amounts may include technical changes made after the City Manager's presentation of the proposed budget to the City Council.

## UNFUNDED REQUESTS

---

The Adopted FY 2021 Budget projected revenue loss of \$40 million as a result of the COVID-19 pandemic, requiring ongoing expenditure reductions across city departments to balance the budget. Much of FY 2022 Budget Development involved tracking and reassessing trends in revenue collection during the pandemic, particularly for revenue sources closely tied to the public health environment. Recent improvements in the public health landscape, such as vaccine development and distribution, will positively impact revenue collections in FY 2022. The city's public health assumption is that operations, including large-scale events, community recreation, and cultural activities will return to normal by winter 2022. Even with an optimistic outlook, revenue projections remain below where the city's revenue would have been had COVID-19 not happened. As a result, the city's financial capacity for funding enhancements remains limited. The Unfunded FY 2022 Budget Requests report shows enhancements that were requested by departments, but not funded in the FY 2022 budget.

## CAPITAL IMPROVEMENT PLAN

---

The city's debt service as a percentage of the General Fund budget must not exceed eleven percent (11%). Net debt, as a percentage of property, must not exceed four percent (4%). Due to these affordability measures, the city cannot afford to fund all requested General Capital projects. The Unfunded CIP Request Report shows projects that were requested by departments, but not included in the five-year Capital Improvement Plan.

## ANNUAL PLAN - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) ENTITLEMENT GRANT PROGRAM

---

This section contains the Annual Plan for the Community Development Block Grant (CDBG), HOME Investment Partnerships Program, and Emergency Solutions Grant Program. The Annual Plan identifies the annual funding of the city's priority community development projects and activities as outlined in the five-year Consolidated Plan. FY 2022 adopted amounts may include technical changes made after the City Manager's presentation of the Proposed Budget to the City Council.

## NORFOLK STATISTICAL INFORMATION

---

This section provides statistical and general information about the city such as an overview of the organization, services, and selected functions.

## ORDINANCES, GLOSSARY, AND INDEX

---

The ordinances adopted by the City Council establish the operating, capital improvement plan, annual grants, and the Annual Plan budget. The glossary provides definitions of budget-related terminology. The index contains an alphabetical reference of information contained in the document.

# FINANCIAL POLICIES

---

## OPERATING BUDGET

---

The operating budget for the city is developed pursuant to Section 67 of the Charter of the City of Norfolk, Virginia. In accordance with the City Charter, the City Manager submits to the City Council, no less than 60 days before the end of the fiscal year, a proposed operating budget for the ensuing fiscal year. The operating budget includes expenditure amounts based on detailed estimates furnished by departments and other divisions of the city government. The budget is presented in a manner that identifies appropriations, taxes, and estimated revenues with comparative statements. The budget is prepared by fund and department.

Following the formal presentation of the proposed budget by the City Manager, a public hearing is conducted to provide an opportunity for the public to make comments on the proposed operating budget and any proposed tax and fee adjustments such as, proposed changes to the real estate tax rate. The public hearing for the operating budget is held at least seven days prior to City Council's approval of the budget. City Council is required to approve a final operating budget no later than 30 days before the end of the current fiscal year.

The formal approval of the budget is executed by the adoption of the ordinance delineating appropriations by fund. Additional budget controls are exercised administratively on an appropriation unit basis over combinations of object categories (account groups: personnel services, materials, supplies and repairs, contractual services, equipment, public assistance, department specific appropriation, and debt service), as well as on a line item basis over individual objects (budget accounts). Departments may transfer funds within a departmental budget with approval from the City Manager or the Office of Budget and Strategic Planning.

The City Manager or designee is authorized to transfer from any department, fund, or activity which has an excess of funds appropriated for its use to any department, activity, or fund all or any part of such excess. Basic policies and guidelines for the development of the city's annual budget are provided below.

The administration is committed to high standards of financial management and currently maintains and follows financial practices and guidelines. On February 26, 2019, City Council passed a resolution to update the city's policies on reserves, debt affordability, and surplus funds utilization, and adopt new financial policies on pension funding and enterprise fund financial management. Financial policies demonstrate commitment to consistent financial practices, operational efficiencies, and best practices; preserve fiscal integrity; and improve fiscal stability to promote long-term fiscal sustainability. Sound financial management practices contribute to maintaining high city credit ratings and lower borrowing costs for capital projects.

## RESERVE FUND

---

Description	Policy
General Fund Unassigned Reserve	Increase minimum to ten percent (10%) and adjust calculation methodology to percentage of General Fund expenditures plus General Fund transfers out.
Risk Management Reserve	Raise maximum funding to eight million (\$8,000,000) dollars and no less than five million dollars (\$5,000,000).
Economic Downturn Reserve	Fund at no less than two and one-half percent (2.5%) of the three (3) year average of real estate tax revenues, not-to-exceed five million dollars (\$5,000,000).

Reserve Fund (continued)

Description	Policy
Inclusive Development Opportunity Fund	Create a reserve to support inclusive economic growth, with a targeted threshold of two million (\$2,000,000) funding.
Reserve Replenishment	In the event a reserve is used to provide for temporary funding needs, the city shall restore the reserve to the minimum level within five (5) fiscal years following the fiscal year in which the event occurred.

## PENSION FUNDING

Description	Policy
Pension Funding Policy	Contribute each year an amount greater than the prior year's contribution or the current year's actuarially defined contribution until 100% funded.

## DEBT AFFORDABILITY MEASURES

Description	Policy
Net Debt as a Percent of the Total Assessed Value of Taxable Property	Keep General Fund net debt below three and one-half percent (3.5%) with a not-to-exceed of four percent (4.0%) of the total assessed value of taxable property.
Debt Service as Percent of General Fund Budget	Keep General Fund debt service below ten percent (10%) with a not-to-exceed of eleven percent (11%) of General Fund budget.
Ten-year (10) General Obligation Payout Ratio	Strive to repay the principal amount of the long-term general obligation bonds by at least fifty-five percent (55%) or greater within ten (10) years.
Overlapping Debt – e.g. Special service district financing or tax increment financing that would be subject to annual appropriation	The total amount of overlapping debt not to exceed one-half percent (0.5%) of total assessed value of taxable property.
Variable Rate Debt	Limit the city's outstanding debt with variable interest rate to no more than twenty percent (20%) by fund.

## USE OF SURPLUS

Description	Policy
<b>Surplus Policy</b>	<b>Use of Surplus</b>
	1 If reserves are not at their required minimum. Entire prior fiscal year-end surplus will fund reserves until the minimum requirement of each reserve has been met.
	2 If reserves have met the required minimum, but not the maximum. Fifty percent (50%) of prior fiscal year-end surplus will fund reserves and fifty percent (50%) will cash fund (pay-go) the Capital Improvement Plan.
	3 If reserves are fully funded at the maximum requirement. Entire prior fiscal year-end surplus will cash fund (pay-go) the Capital Improvement Plan or one-time technology and equipment purchases.

## PARKING FACILITIES FUND

Description	Policy
Debt Service Coverage	Maintain debt service at a minimum of 1.1 times.
Unrestricted Cash	Maintain a minimum of 240 days of operating and maintenance expense.
Repair & Replacement Reserve	Establish a repair and replacement reserve of one million dollars (\$1,000,000) within five (5) years.
Ten-Year Financial Plan	Develop a ten-year financial plan annually that integrates revenue and expense projections and project cashflow forecasts relative to the financial policies.

## WATER UTILITY FUND

Description	Policy
Debt Service Coverage	Maintain debt service at a minimum of 1.5 times gross of ROI and PILOT.
Unrestricted Cash	Maintain a minimum of 240 days of operating and maintenance expense.
Repair & Replacement Reserve	Establish a repair and replacement reserve of two million dollars (\$2,000,000) within five (5) years.
Return on Investment ("ROI")	The General Fund ROI transfer from the Water Utility Fund shall not exceed \$8.5 million in a given year. Additional transfers may only be considered in the event the Water Utility Fund receives one-time, significant revenues and provided that the additional transfer would not cause the Fund to fail to adhere to any other financial policies.
Payment in Lieu of Taxes ("PILOT")	The PILOT paid by the Water Utility Fund to the General Fund to be based on the taxable assessed value of real property using the applicable tax rate.
Ten-Year Financial Plan	Develop a ten-year financial plan annually that integrates revenue and expense projections and project cashflow forecasts relative to the financial policies.

## WASTEWATER UTILITY FUND

Description	Policy
Debt Service Coverage	Maintain revenue bond debt service at 1.15 times and 1.1 times combined coverage (General Obligation and Revenue) minimum gross of ROI and PILOT.
Unrestricted Cash	Maintain a minimum of 180 days of operating and maintenance expense.
Repair & Replacement Reserve	Establish a repair and replacement reserve of one million dollars (\$1,000,000) within five (5) years.
Return on Investment ("ROI")	The General Fund ROI Transfer from the Wastewater Utility Fund shall not exceed \$1.5 million in a given year. Additional transfers may only be considered in the event the Wastewater Utility Fund receives one-time, significant revenues and provided that the additional transfer would not cause the Fund to fail to adhere to any other financial policies.

#### Wastewater Utility Fund (continued)

Description	Policy
Payment in Lieu of Taxes ("PILOT")	The PILOT paid by the Wastewater Utility Fund to the General Fund to be based on the taxable assessed value of real property using the applicable tax rate.
Ten-Year Financial Plan	Develop a ten-year financial plan annually which integrates revenue and expense projections and project cashflow forecasts relative to the financial policies.

## STORM WATER MANAGEMENT FUND

Description	Policy
Debt Service Coverage	Maintain revenue bond debt service coverage minimum at 1.15 times coverage and 1.1 times combined coverage (General Obligation and Revenue).
Unrestricted Cash	Maintain a minimum of 180 days of operating and maintenance expense.
Repair & Replacement Reserve	Establish a repair and replacement reserve of one million dollars (\$1,000,000) within five (5) years.
Ten-Year Financial Plan	Develop a ten-year financial plan annually that integrates revenue and expense projections and project cashflow forecasts relative to the financial policies.

## CAPITAL IMPROVEMENT PLAN

The city uses several guiding principles and best practices to manage the Capital Improvement Plan (CIP). The principles (see Guiding Principles under CIP section) governing the CIP are closely linked with the debt affordability measures in the financial policies described in the previous section. Using the principles as a foundation, the CIP is developed to promote capital infrastructure to support the city policies by establishing a five-year capital implementation plan. In formulating this long-range plan, input is solicited from various parties such as city departments, City Council, residents, and businesses. The CIP includes projects that meet the following city policy areas (see CIP section for definitions):

- Education
- Economic Development
- Environmental Sustainability
- Cultural Facilities
- General and Other
- Neighborhood Development
- Public Buildings
- Parks and Recreation Facilities
- Transportation

To be included in the CIP, the project must cost \$75,000 or more and should extend the life of the asset by more than the life of the debt instrument used to finance the improvement or grant program. Various sources of funding are used to fund the CIP. These sources include General Fund supported debt and nongeneral fund supported

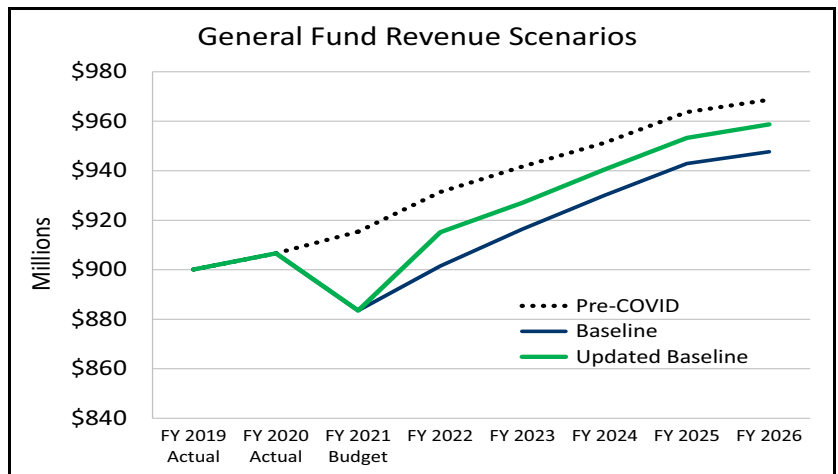
debt, such as revenue bonds or cash contributions from various resources. For general capital improvements, the city strives to achieve an annual pay-as-you-go cash contribution.

## MULTI-YEAR PLANNING

The city's multi-year planning process includes preparing a long-term base budget forecast annually. The long-term forecast of base revenues and expenditures enables the city to identify potential financial challenges and plan for the upcoming fiscal year's budget. In addition, the annual budget development process incorporates a two-year lens, whereby each recommended budget action is analyzed to determine its impact not just in the upcoming fiscal year but also in the following year.

In the summer of each fiscal year, the Office of Budget and Strategic Planning (Budget Office) initiates the process of compiling information for the long-term forecast from city departments, regional and city partner agencies, state and federal agencies, and state and regional economists. In FY 2019, the Budget Office integrated the long-term forecast submission process in the performance budgeting ("budget") system. As a result of the budget system enhancement, items in the forecast were seamlessly incorporated in the department's base budget for the upcoming fiscal year. The actions in the Adopted FY 2021 Budget that impact the following fiscal year's base budget are incorporated in the start point of the following year's long-term forecasting process. Also, the long-term base revenue forecast is updated to reflect actions in the proposed and adopted budgets. During the fall, the Budget Office refined the long-term forecast compiled during the summer. At the fall financial update in November 2020, the long-term forecast was presented to the City Council with a particular emphasis on the long-term revenue forecast due to the COVID-19 pandemic. The preliminary long-term forecast provided the start point of the development of the budget for the upcoming fiscal year (FY 2022) as well as the base budget outlook for the following year. In February, the long-term revenue forecast was updated and presented to the City Council at the Mid-Year Budget Review and Financial Update.

The long-term base budget forecast annually incorporates adjustments to base revenues and expenditures due to: state, federal, and local mandates; debt and other inflationary or contractual cost increases needed to maintain existing levels of service; the estimated impact of the Norfolk Public Schools (NPS) revenue sharing formula; obligations related to regional partnerships; the opening of new city facilities; economic development projects coming to fruition; national, state, and regional economic forecasts; state budget actions enacted by the General Assembly; state budget forecasts; annualization of prior year prorated costs; and removal of one-time budgetary items. However, the base revenue and expenditure forecast does not include: new fees; fee or tax rate changes; the cost of budget enhancements such as, future salary increases, new programs or initiatives, and program or service expansion; or policy changes under consideration and requiring City Council or administrative action. The chart above summarizes the General Fund's long-term revenue forecast presented to City Council in February 2021. The long-term forecast is also considered for monitoring the city's debt affordability measures.



# FUND STRUCTURE

---

The city uses fund accounting to ensure and demonstrate compliance with finance-related legal and regulatory requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The city's funds can be divided into four categories: governmental funds, proprietary funds, component unit funds, and fiduciary funds.

## GOVERNMENTAL FUNDS

---

Governmental funds consist of the General Fund, Special Revenue Funds, Capital Projects Fund, Debt Service Funds, and Permanent Fund. Most governmental functions of the city are financed through these funds. Governmental funds are supported by taxes and intergovernmental revenues. The modified accrual basis of accounting is used for the budgets of all governmental funds.

### **General Fund**

The general operating fund of the city accounts for all financial transactions of the general government, except those required to be accounted for in another fund. The General Fund accounts for the city's normal recurring activities such as police, fire-rescue, public education (K-12), and public works. These activities are supported by revenue from: general property and other local taxes; permits, fees and licenses; fines and forfeitures; use of money and property; charges for services; recovered costs; and aid from the Commonwealth and Federal Government.

### **Special Revenue Funds**

The Special Revenue Funds account for the proceeds of specific revenue resources restricted or committed to expenditure for specific purposes (other than expendable trusts or major capital projects) and require separate accounting because of legal or regulatory provisions or administrative action.

### **Capital Projects Fund**

The Capital Projects Fund accounts for the acquisition, construction, or renovation of major capital facilities of the city and Norfolk Public Schools.

## PROPRIETARY FUNDS

---

Proprietary funds consist of Enterprise Funds and Internal Service Funds. Enterprise Funds account for operations similar to those found in the private sector and include Water Utility, Wastewater Utility, Storm Water Management, and Parking Facilities. Internal Service Funds account for the financing of goods and services provided by one department to other departments in the city on a cost reimbursement basis and include Healthcare and Fleet Management. The Proprietary Funds measurement focus is based upon determination of net income, financial position, and changes in financial position.

### **Enterprise Funds**

#### Water Utility Fund

This fund accounts for the operations of the city-owned water system. The cost of providing services is financed or recovered through user charges to customers, which include Norfolk residents, commercial customers, the U.S. Navy, and other regional localities and authorities.

#### Wastewater Utility Fund

This fund accounts for the operation of the city-owned wastewater (sewer) system. The cost of providing services is financed or recovered through user charges to Norfolk residential and commercial customers.

### Storm Water Management Fund

This fund accounts for the operation of the environmental storm water management system, including maintenance of storm water drainage facilities. The cost of providing services is financed or recovered through user charges to Norfolk residents and commercial and industrial customers.

### Parking Facilities Fund

This fund accounts for the operation of city-owned parking facilities (garages, lots, and on-street meters). The cost of providing services is financed or recovered through user charges for long-term and short-term customer use and fines for parking violations.

## **Internal Service Funds**

### Norfolk Healthcare Consortium

This fund accounts for the financing of medical coverage provided to employees of the Norfolk Healthcare Consortium through a city-administered health insurance plan. The Consortium includes the City of Norfolk, Norfolk Public Schools, and the Norfolk Redevelopment and Housing Authority. Employees and the Consortium share the costs of the health insurance premium. Medical claims, administrative costs, wellness program costs, fees related to the Affordable Care Act, and benefit consultant expenses are paid by the Healthcare Fund.

### Fleet Management Fund

This fund accounts for the maintenance, repair, and service for the city fleet of vehicles, heavy equipment, and miscellaneous machinery on a cost reimbursement basis.

## **COMPONENT UNIT FUNDS**

---

### **Education**

The city's total budget includes the funds of the Norfolk Public Schools. The primary sources of revenue are the city's local contribution, basic school aid and sales tax revenues from the state, and educational program grants. Major expenditures are for instructional salaries and schools' facility operating costs.

### **School Operating Fund**

The School Operating Fund is the General Fund of the School Board. It accounts for all financial resources except those required to be accounted for in another fund, such as School Nutrition Services.

### **School Grants**

This fund accounts for revenues and expenditures for federal, state, and other grants for educational programs.

### **School Nutrition Services**

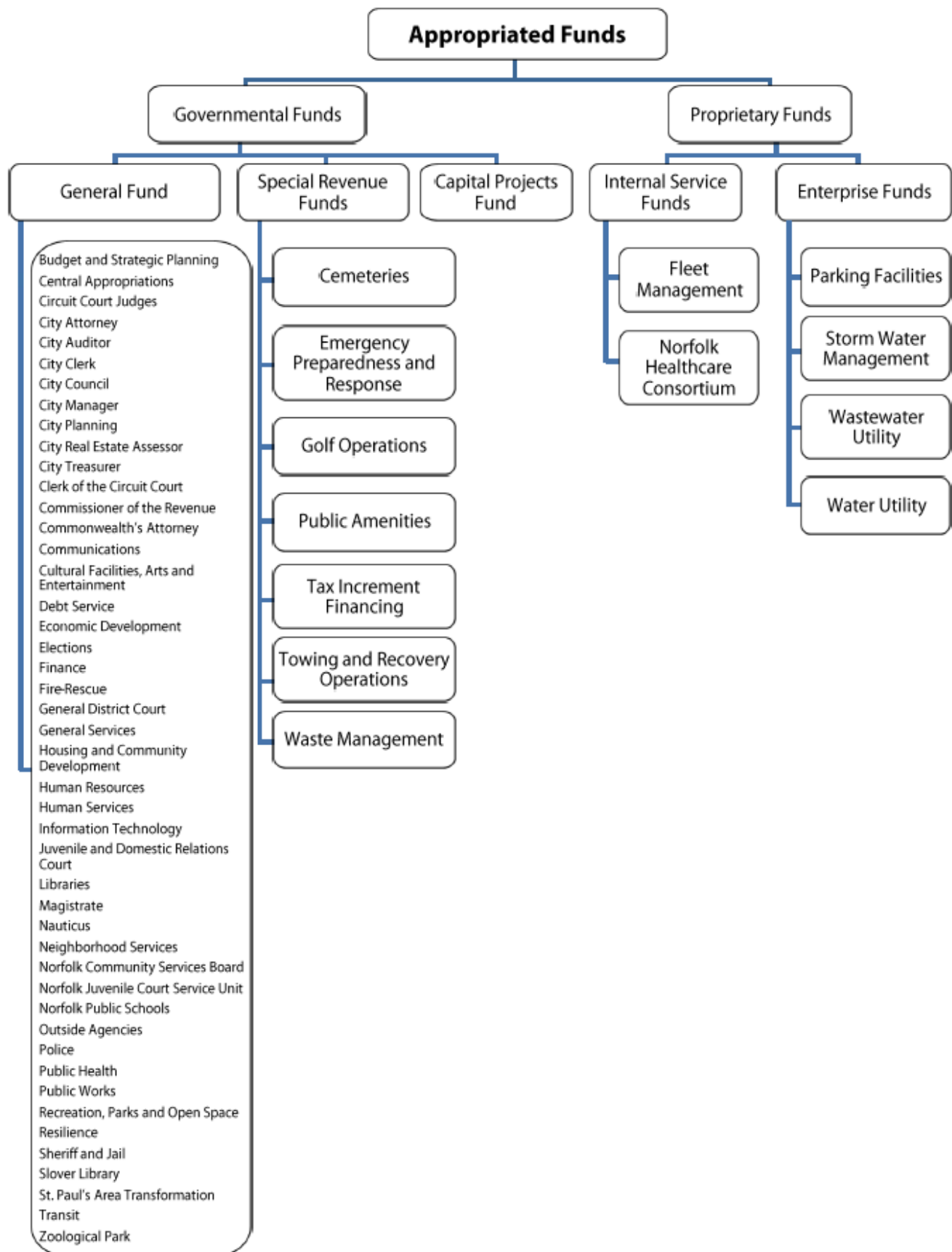
This fund supports the school breakfast and lunch program. School Nutrition Services is a self-funded non-reverting operation supported through cafeteria sales and federal and state reimbursements.

## **FIDUCIARY FUNDS AND PERMANENT FUND**

---

Fiduciary Funds are used to account for resources held for the benefit of parties outside the city and include the city's Pension Trust Fund, Commonwealth of Virginia Agency Fund, and Other Agency Fund. The Permanent Fund is used to report resources legally restricted to the extent that only earnings (not principal) may be used to support the program and includes the Cemetery Endowed Care Fund. Fiduciary and Permanent Funds are not included in the city's budget, since its resources are not available to support the city's own programs. Fiduciary Fund statements are presented separately within the city's Annual Comprehensive Financial Report.

# FUND STRUCTURE



# BASIS OF BUDGETING AND ACCOUNTING

---

## BASIS OF BUDGETING

---

The budgets of governmental fund types (General Fund, Special Revenue, and Capital Projects Funds) of the city are generally prepared on the modified accrual basis of accounting. The accrual basis of accounting is generally used to budget for the Enterprise Funds and Internal Service Funds except for depreciation, debt principal payments, capital outlay, and contractual commitments (see Basis of Accounting below).

For the modified accrual basis, expenditures are recorded as expenditures when the related fund liability is incurred (other than interest on general long-term liabilities). For budgetary purposes, purchase orders issued and other contractual commitments are considered expenditures when executed. Revenues are recorded when they are measurable and available. The accrual basis recognizes expenses when the liability is incurred regardless of the related cash flows. Revenues, however, are recognized when earned. The accrual methodology is based upon known present and future expenses and revenues and not upon cash spent or received.

The level of control at which expenditures may not exceed the budget is at the department level for the General Fund and fund level for all other funds. The City Manager or designee is authorized to transfer funds from any department, fund, or activity that has an excess of funds appropriated for its use to any other department, activity, or fund. Appropriations lapse at the end of the fiscal year, except appropriations that are designated or are for the Grants (Special Revenue) and Capital Improvement Programs, which are carried forward until the designation, grant, or project is completed or terminated.

## BASIS OF ACCOUNTING

---

The Annual Comprehensive Financial Report (ACFR) presents the status of the city's finances in accordance with Generally Accepted Accounting Principles (GAAP). In most cases this conforms to how the city prepares its budget. Exceptions are as follows:

- Compensated absences are recorded as earned by employees (GAAP basis), as opposed to being expended when paid (Budget basis);
- Principal payments on long-term debt within the Proprietary Funds reduce the amount of debt remaining on a GAAP basis as opposed to being expended on a Budget basis;
- Capital Outlay within the Proprietary Funds is recorded as assets on a GAAP basis and expended on a Budget basis;
- Depreciation expenses are recorded on a GAAP basis only; and,
- Recording unfulfilled purchase orders and contractual obligations as expenditures in the year executed.

In addition to the fund financial statements, government-wide financial statements are prepared on the accrual basis of accounting. In government-wide financial statements, certain funds are grouped together for reporting purposes.

# BUDGET PROCESS

---

## FORMULATION OF THE CITY MANAGER'S BUDGET

---

The City Charter requires the City Manager to prepare and submit to the City Council an annual budget.

The annual budget process commences at the beginning of the fiscal year. The budget calendar establishes the timeline for the process, dates for submission of department requests, budget work sessions, and public hearings leading to final adoption of the budget.

Department requests are based on budget instructions. Each request must relate to the organization's program objectives and the priorities of the city. The requests are received and compiled by the budget staff. Due to revenue constraints, departments are generally encouraged to develop proposals to realign or reduce expenditures rather than seek additional funding.

An operating budget is adopted each fiscal year for the General Fund, Enterprise Funds (Water Utility, Wastewater Utility, Storm Water Management, and Parking Facilities), Special Revenue Funds (Cemeteries, Emergency Preparedness and Response, Golf Operations, Public Amenities, Tax Increment Financing, Towing and Recovery Operations, and Waste Management), and Internal Service Funds (Fleet Management and Healthcare). Budgets are also individually adopted within the Special Revenue (Grants) Fund. Ordinances are generally adopted when a grant to the city has been awarded. Recurring grants identified in the Annual Grants Plan section are appropriated as part of the operating budget ordinance.

All funds are under formal budget control, the most significant of which is the General Fund. No less than sixty days before the end of the current fiscal year, the City Manager submits to the City Council a proposed operating budget for the next fiscal year. The operating budget includes recommended expenditures and the means to finance them. The adopted budget may include technical changes made after the City Manager's presentation of the proposed budget to City Council.

## CITY COUNCIL'S AUTHORIZATION AND APPROPRIATION

---

After general distribution of the proposed budget, public hearings are conducted to obtain comments and recommendations from the public. No less than thirty days before the end of the fiscal year, the City Council shall pass an annual appropriation ordinance which shall be based on the budget document submitted by the City Manager and subsequent changes made by the City Council. The annual operating budget ordinance appropriates funding for use by departments for salaries, benefits and positions, and nonpersonnel as set forth in the detailed budget document. Amounts appropriated to each department are intended to be expended for the purposes designated by object group categories including: personnel services; materials, supplies and repairs; contractual services; equipment; public assistance; department specific appropriation; and debt service.

## CITY MANAGER'S AUTHORIZATION

---

In accordance with the City Charter, at least sixty days before the end of each fiscal year, the City Manager shall prepare and submit to the City Council an annual budget for the ensuing fiscal year. The budget shall be balanced at all times. The total amount of appropriations shall not exceed the estimated revenues of the city.

In a given year, the City Manager or designee is authorized to transfer from any department, fund, or activity with excess funds appropriated to any department, fund, or activity as necessary.

## BUDGET IMPLEMENTATION

---

Once the budget is adopted, it is effective on July 1 and becomes the legal basis for the programs and services of each department of the city during the fiscal year. No department or other agency of the city government may spend in excess of adopted and appropriated amounts, unless authorized by budget transfer as approved by the City Manager or designee. Financial and programmatic monitoring of departmental activities to ensure conformity with the budget takes place throughout the year. The budget can be found in the libraries and on the city website. The City Manager is responsible for maintaining a balanced budget at all times. In the event a gap is identified between revenues and expenditures, the City Manager will take actions necessary to rebalance the budget. Budget amendments may be made by the City Council to meet the changing needs of the city. The means by which the City Council may amend the budget include, but are not limited to, appropriation of additional funds and decreasing the amount of appropriated funds.

## CAPITAL IMPROVEMENT PLAN, ANNUAL GRANTS PLAN, AND ANNUAL PLAN

---

City Council also adopts a Capital Improvement Plan, Annual Grants Plan, and the Annual Plan budget. These budgets are submitted by the City Manager with the operating budget, and public hearings are held and the budgets are legislatively enacted through adoption of ordinances.

Appropriations for project funds and grant funds do not lapse at year end, but continue until the purpose of the appropriation has been fulfilled or terminated. Amendments to these budgets may be affected by City Council actions. The level of budget control is on a project basis with additional administrative controls being exercised.

## BUDGET PRINCIPLES AND POLICIES

---

These include the following:

- Provisions to strive for a structurally balanced budget whereby ongoing expenditures are supported by ongoing revenues;
- Preparation of a mid-year budget update, reporting projected revenues and expenditures for the entire fiscal year and receipt of unanticipated revenues and other major changes to the adopted budget;
- Preparation of a five to ten-year forecast, which serves as the basis for the City Manager's annual recommended budget; and
- Requirement that the City Manager prepare a Five-Year Capital Improvement Plan that incorporates operating costs and is stated in "year of expenditure dollars."

# BUDGET CALENDAR

Date	Responsible Party	Description	Legal Requirement
August 2020	City Departments	Long-term Forecast Operating Budget Requests	N/A
September 2020 - January 2021	City Departments	Departments Submit Operating and Capital Improvement Budget Requests Department Program Catalog Development with Budget Staff	N/A
February 2021	Budget and Strategic Planning Management Leadership Team City Departments	Department Meetings with Budget Staff on Operating and Capital Budget Requests	N/A
February 23, 2021	Budget and Strategic Planning	City Manager's Mid-Year Budget Review and Financial Update	N/A
March 17, 2021	Norfolk Public Schools	School Board approves Educational Plan and Budget for FY 2022	Code of Virginia 15.2-2503
March 25, 2021	Budget and Strategic Planning	Public Hearing Notice of the HUD Grant (CDBG, ESG, and HOME) Budget	U.S. Department of Housing and Urban Development (HUD)
March 28, 2021	City Clerk	Public Hearing Notice of the Real Estate Tax Increase due to increased reassessment	Code of Virginia 58.1-3321
March 30, 2021	City Manager	City Manager Presentation of Proposed Budget to City Council	City of Norfolk Charter Sec. 67
April 1, 2021	City Clerk	Public Hearing Notice of the Operating and Capital Improvement Plan Budgets	Code of Virginia 15.2-2506, 58.1-3007
April 8, 2021	City Council	Public Hearing on the Operating, Capital Improvement Plan, and HUD Grant (CDBG, ESG and HOME) Budgets	Code of Virginia 15.2-2506, 58.1-3007
April 13, 2021	City Council	City Council Budget Worksession	N/A
April 27, 2021	City Council	City Council Budget Worksession	N/A
April 27, 2021	City Council	Public Hearing on the Real Estate Tax Increase due to increased reassessment (tentative)	Code of Virginia 58.1-3321
May 4, 2021	City Council	City Council Budget Worksession	N/A
May 11, 2021	City Council	City Council Budget Adoption	City of Norfolk Charter Sec. 68 Code of Virginia 15.2-2503

# GENERAL FUND BUDGET OVERVIEW

---

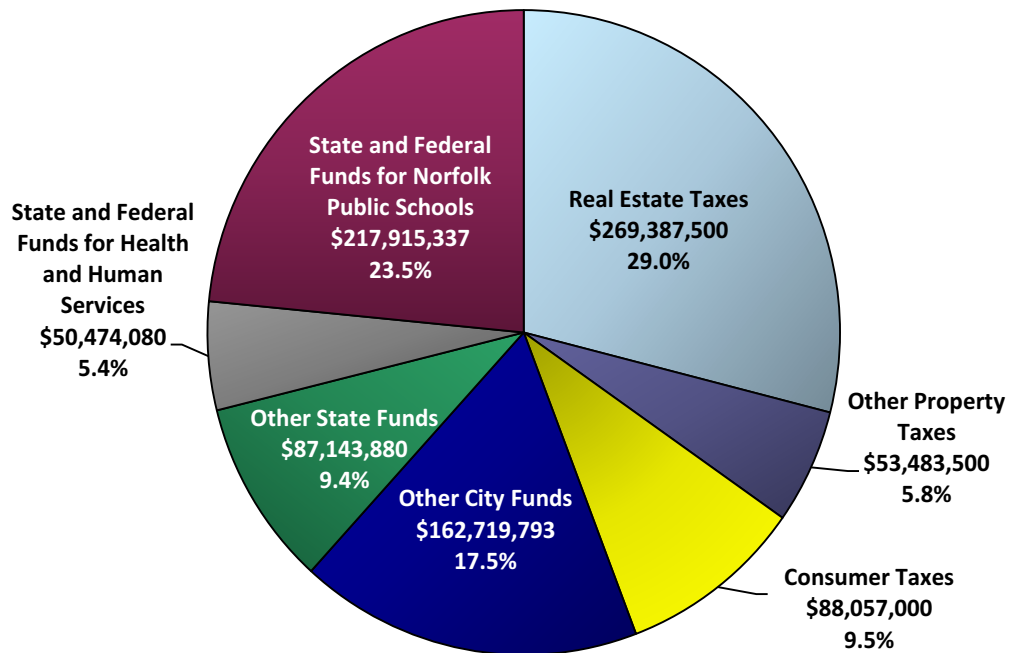
## Adopted FY 2022 General Fund Revenues \$929,181,090

---

Funding for Norfolk comes from a variety of sources as shown at right.

"Other City Funds" include local taxes, fees, charges, fines, rent and interest.

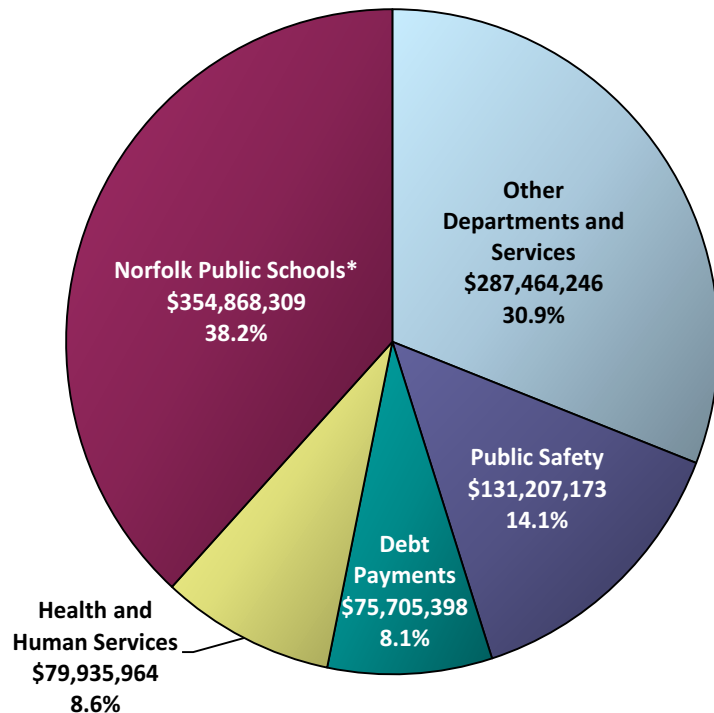
"Consumer Taxes" include sales, hotel, meals, admissions and cigarette taxes.



## Adopted FY 2022 General Fund Expenditures \$929,181,090

---

In the FY 2022 budget, "Other Departments and Services" include public works, transit, libraries, Slover library, recreation, cultural facilities, zoo, Nauticus, planning, neighborhood development, economic development, finance, human resources, information technology, general services, legislative, executive, law, judicial, constitutional officers, outside agencies, and central appropriations.



Note: Percentages may not total to 100 due to rounding. \*Does not include in-kind support.

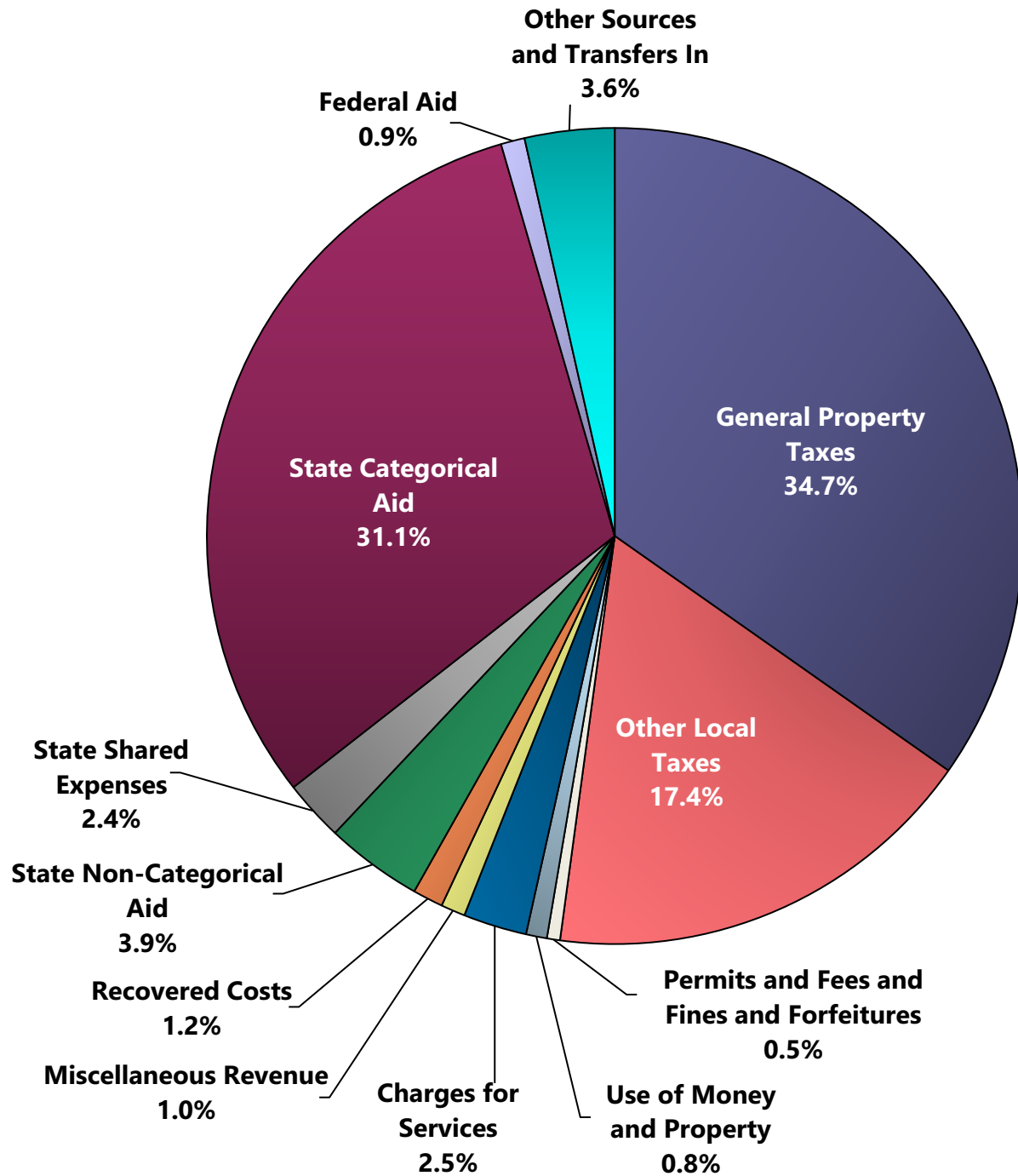
# ESTIMATED GENERAL FUND REVENUES BY SOURCE

The following table compares the Adopted FY 2022 General Fund Operating Budget to the Adopted FY 2021 General Fund Operating Budget and the FY 2020 Actual amount. Funding sources are shown by category to provide an overview of the principal sources of revenue for the general operating fund of the city. These revenue sources support general government operations. The tables and charts in the pages that follow show revenues and expenditures for all funds.

Source	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted	FY 2021 vs. FY 2022	
				\$ Change	% Change
General Property Taxes	305,693,092	311,526,200	322,871,000	11,344,800	3.6%
Other Local Taxes	161,697,210	143,126,000	161,646,000	18,520,000	12.9%
Permits and Fees	3,633,149	3,214,000	3,608,000	394,000	12.3%
Fines and Forfeitures	798,931	1,201,000	1,218,000	17,000	1.4%
Use of Money and Property	8,221,043	7,543,055	7,711,765	168,710	2.2%
Charges for Services	20,425,711	23,539,021	23,379,568	-159,453	-0.7%
Miscellaneous Revenue	9,677,776	8,983,473	8,976,770	-6,703	-0.1%
Recovered Costs	11,390,149	10,880,725	11,183,290	302,565	2.8%
Non-Categorical Aid - State	35,568,849	34,146,200	35,777,200	1,631,000	4.8%
Shared Expenses - State	22,897,825	21,930,000	22,395,400	465,400	2.1%
Categorical Aid - State	272,019,306	278,285,660	288,618,441	10,332,781	3.7%
Federal Aid	9,027,163	8,736,882	8,790,256	53,374	0.6%
Other Sources and Transfers In <sup>1</sup>	45,596,110	30,368,000	33,005,400	2,637,400	8.7%
<b>General Fund Total</b>	<b>906,646,314</b>	<b>883,480,216</b>	<b>929,181,090</b>	<b>45,700,874</b>	<b>5.2%</b>

<sup>1</sup> The FY 2020 amount reflects carryforward of a one-time Virginia Beach water payment.

## Adopted FY 2022 General Fund Revenues by Source



Note: Percentages may not total to 100 due to rounding.

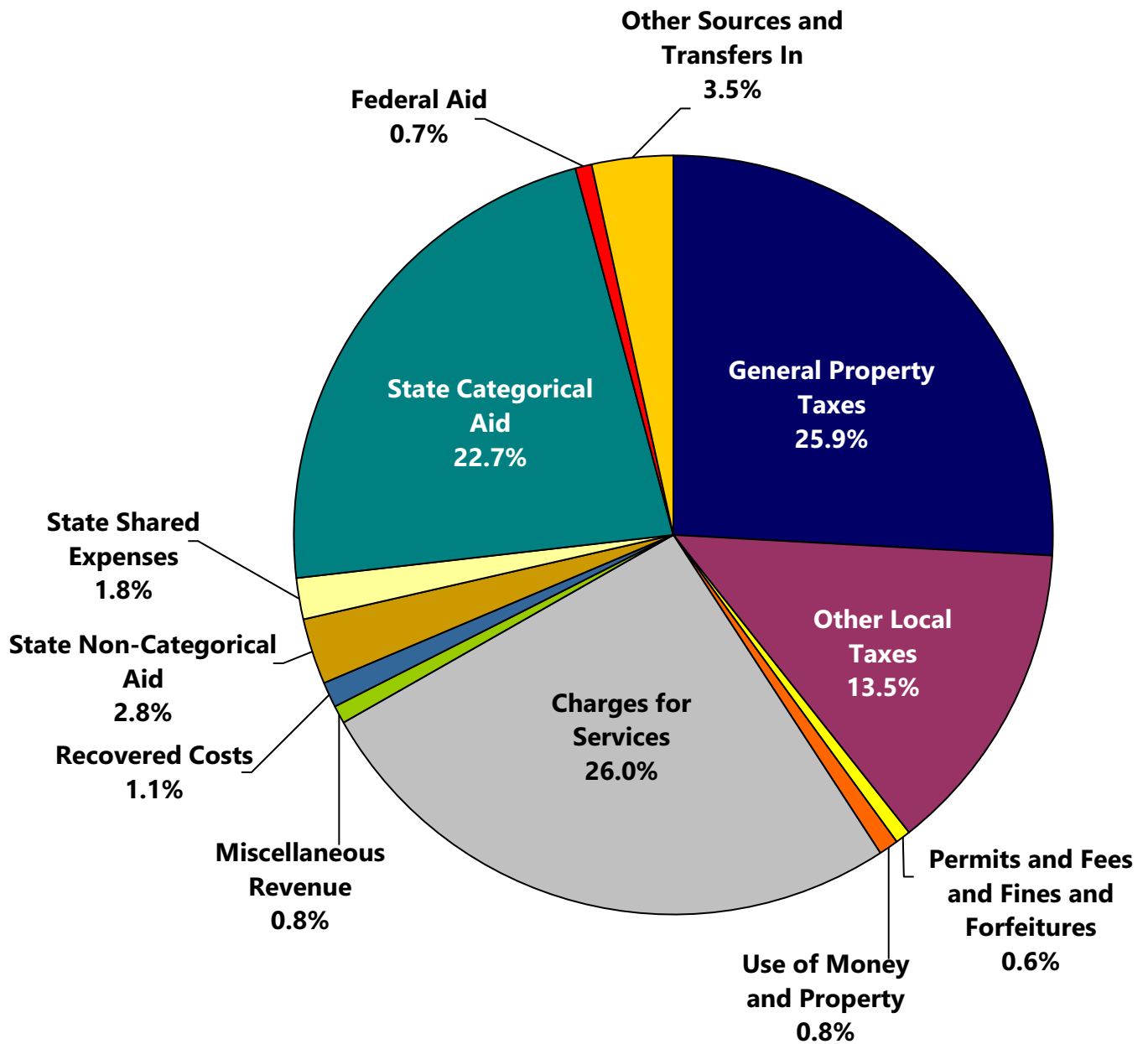
# ESTIMATED REVENUES BY SOURCE (ALL FUNDS)

The following table compares the Adopted FY 2022 Operating Budget to the Adopted FY 2021 Operating Budget and the FY 2020 Actual amount. Funding sources by category are shown to provide an overview of the sources of revenue for the general and nongeneral operating funds of the city. Revenues are reflected in those categories where they are originally raised.

Source	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted	FY 2021 vs. FY 2022	
				\$ Change	% Change
General Property Taxes	311,961,092	318,008,200	329,639,400	11,631,200	3.7%
Other Local Taxes	171,533,023	152,411,596	171,668,596	19,257,000	12.6%
Permits and Fees	4,627,511	3,843,505	4,469,569	626,064	16.3%
Fines and Forfeitures	2,913,910	4,540,022	3,757,022	-783,000	-17.2%
Use of Money and Property	19,859,312	10,417,665	10,611,375	193,710	1.9%
Charges for Services	303,440,026	326,520,110	330,751,827	4,231,717	1.3%
Miscellaneous Revenue	10,290,452	9,705,616	9,739,156	33,540	0.3%
Recovered Costs	15,154,528	13,555,984	13,858,549	302,565	2.2%
Non-Categorical Aid - State	35,568,849	34,146,200	35,777,200	1,631,000	4.8%
Shared Expenses - State	22,897,825	21,930,000	22,395,400	465,400	2.1%
Categorical Aid - State	272,137,649	278,383,660	288,730,441	10,346,781	3.7%
Federal Aid	9,140,780	8,850,499	8,903,873	53,374	0.6%
Other Sources and Transfers In	51,977,251	37,113,510	44,076,377	6,962,867	18.8%
<b>Total All Funds</b>	<b>1,231,502,208</b>	<b>1,219,426,567</b>	<b>1,274,378,785</b>	<b>54,952,218</b>	<b>4.5%</b>

<sup>1</sup> The FY 2020 amount reflects the carryforward of a one-time Virginia Beach water payment.

## Adopted FY 2022 Revenues by Source (All Funds)



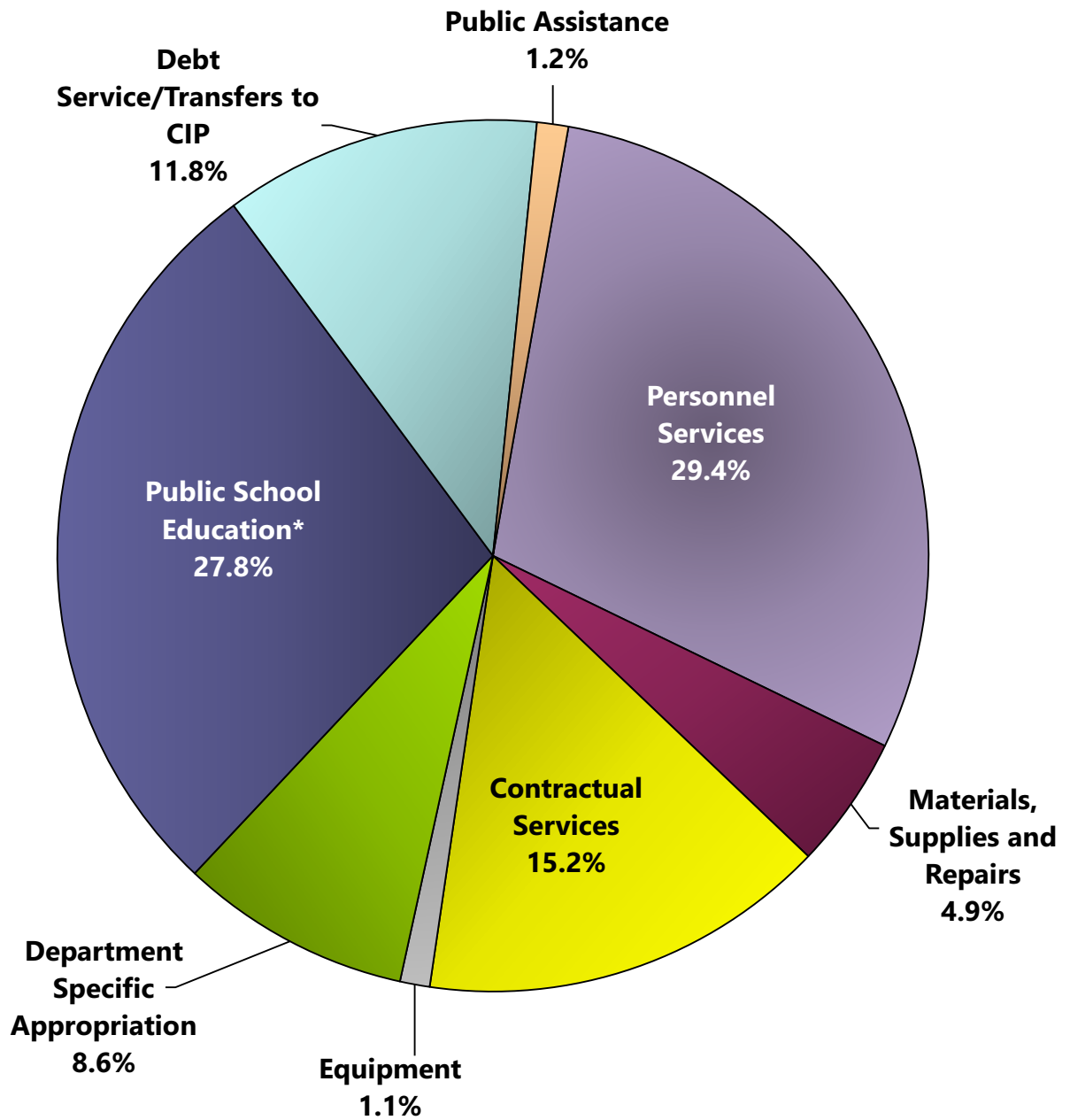
Note: Percentages may not total to 100 due to rounding.

# ESTIMATED EXPENDITURES BY USE (ALL FUNDS)

The following table compares the Adopted FY 2022 Operating Budget to the Adopted FY 2021 Operating Budget and the FY 2020 Actual amount. Funding uses by category are shown to provide an overview of the principal uses of expenditures for the general and nongeneral operating funds of the city. Expenditures are reflected in those categories where they are originally spent.

Uses	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted	FY 2021 vs. FY 2022	
				\$ Change	% Change
Personnel Services	344,651,484	355,297,276	374,757,645	19,460,369	5.5%
Materials, Supplies and Repairs	59,226,288	61,647,388	62,809,452	1,162,064	1.9%
Contractual Services	173,103,905	185,415,497	193,808,016	8,392,519	4.5%
Equipment	9,154,867	10,058,246	14,070,513	4,012,267	39.9%
Department Specific Appropriation	77,777,897	104,111,802	109,309,075	5,197,273	5.0%
Public School Education	321,413,214	337,148,281	354,868,309	17,720,028	5.3%
Debt Service/Transfers to CIP	149,524,252	151,123,771	149,920,101	-1,203,670	-0.8%
Public Assistance	13,249,091	14,624,306	14,835,674	211,368	1.4%
<b>Total All Funds</b>	<b>1,148,100,998</b>	<b>1,219,426,567</b>	<b>1,274,378,785</b>	<b>54,952,218</b>	<b>4.5%</b>

## Adopted FY 2022 Expenditures by Use (All Funds)



Note: Percentages may not total to 100 due to rounding.

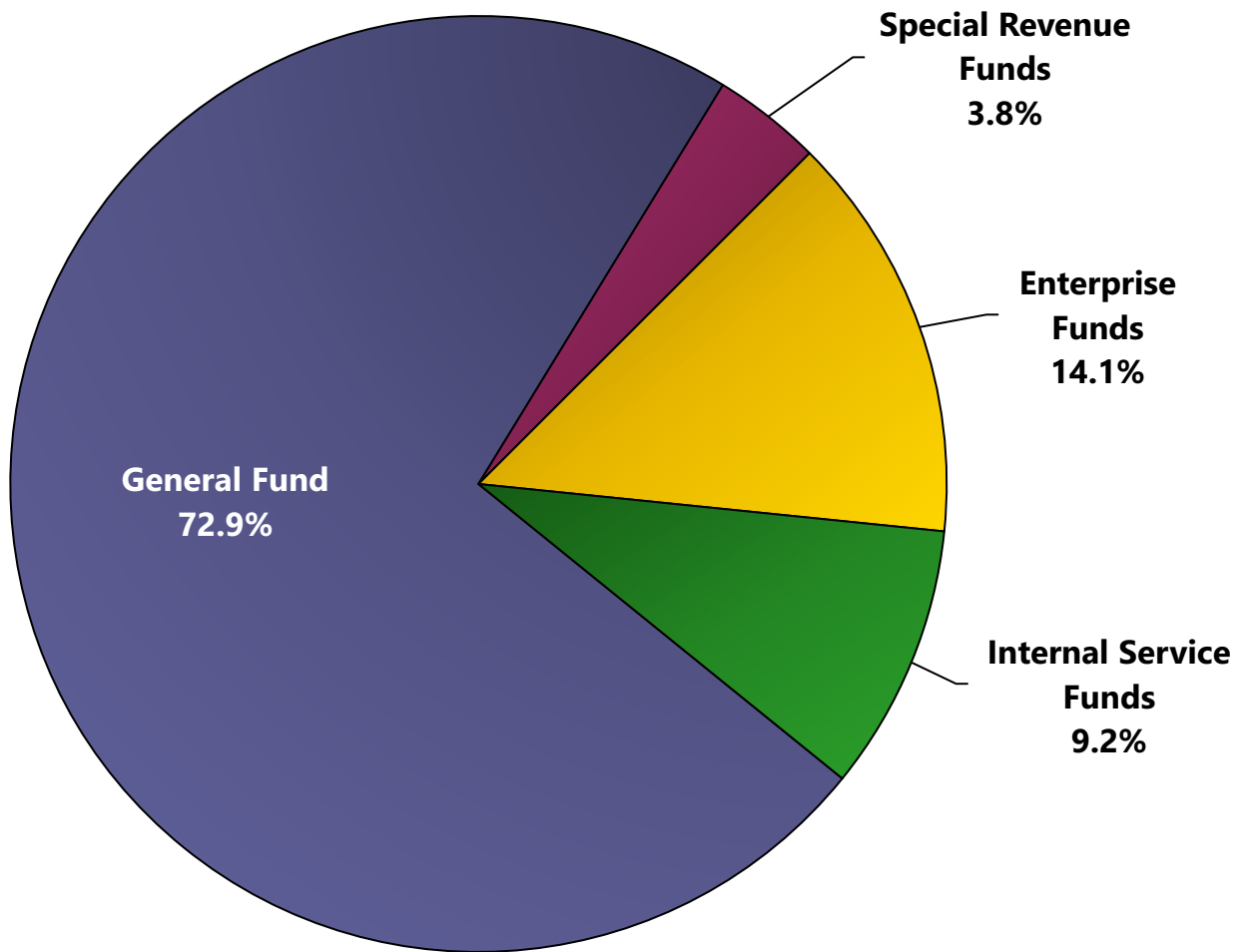
\*Does not include "in-kind" support. See Public School Education section.

# ESTIMATED EXPENDITURES BY FUND TYPE

The following table compares expenditures by fund type in the Adopted FY 2022 Operating Budget to the Adopted FY 2021 Operating Budget and the FY 2020 Actual amount.

Fund Type	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted	FY 2021 vs. FY 2022	
				\$ Change	% Change
General Fund	863,099,276	883,480,216	929,181,090	45,700,874	5.2%
Special Revenue Funds <sup>1</sup>	47,601,613	46,840,662	47,873,951	1,033,289	2.2%
Enterprise Funds <sup>1</sup>	138,235,829	173,366,457	179,851,885	6,485,428	3.7%
Internal Service Funds <sup>2</sup>	99,164,280	115,739,232	117,471,859	1,732,627	1.5%
<b>Total All Funds</b>	<b>1,148,100,998</b>	<b>1,219,426,567</b>	<b>1,274,378,785</b>	<b>54,952,218</b>	<b>4.5%</b>

**Adopted  
FY 2022 Expenditures by Fund Type (All Funds)**



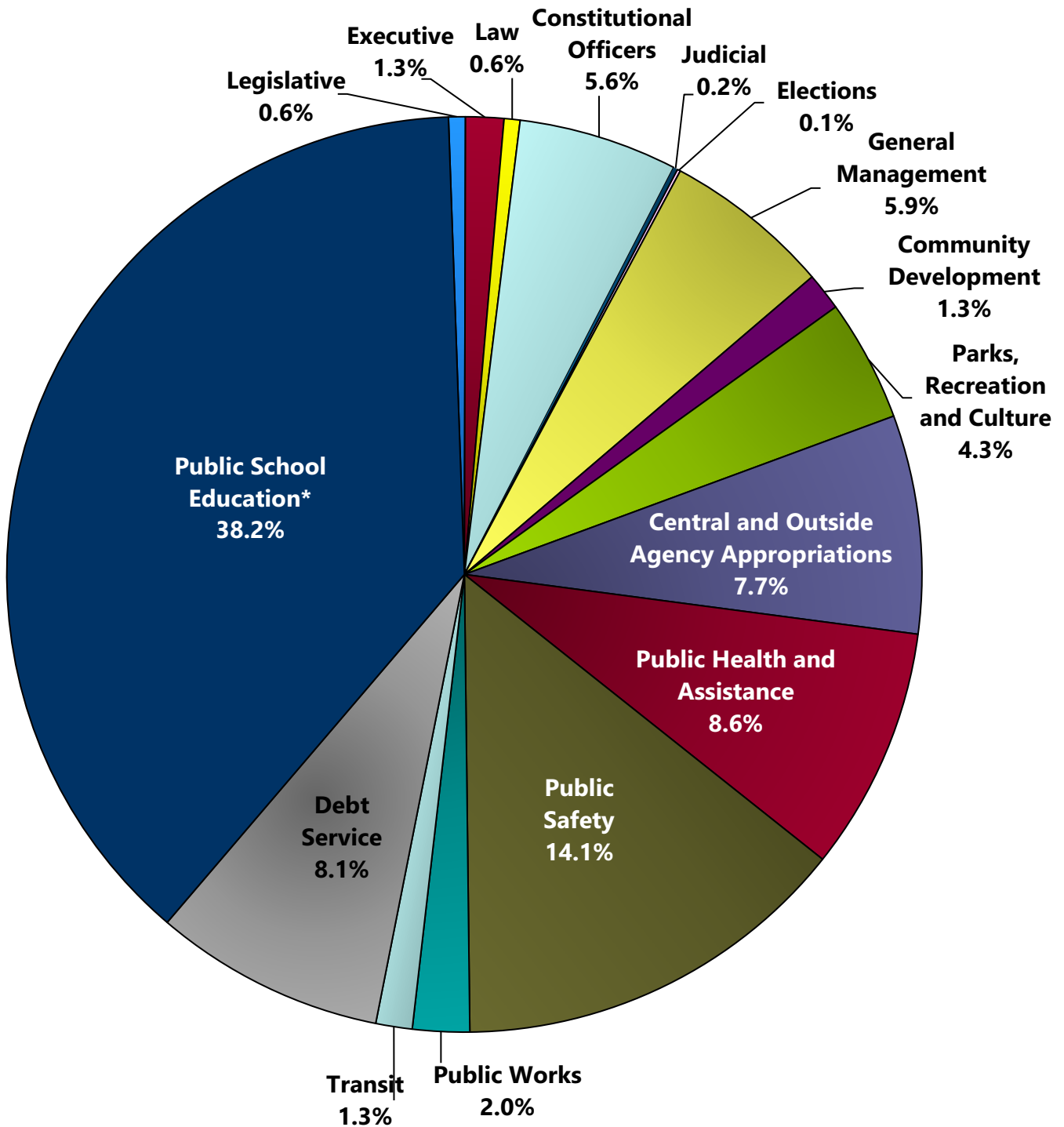
Note: Percentages may not total to 100 due to rounding.

# ESTIMATED GENERAL FUND EXPENDITURES BY AREA

The following table compares the Adopted FY 2022 General Fund Operating Budget to the Adopted FY 2021 General Fund Operating Budget and the FY 2020 Actual amount. Major areas of service are shown to provide a broad overview of the expenditures for the general operating fund of the city.

Service Area	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted	FY 2021 vs. FY 2022	
				\$ Change	% Change
Legislative	4,846,887	5,274,627	5,513,857	239,230	4.5%
Executive	8,623,443	10,555,078	12,512,308	1,957,230	18.5%
Department of Law	4,634,183	5,024,632	5,226,300	201,668	4.0%
Constitutional Officers	47,427,888	49,931,416	52,156,276	2,224,860	4.5%
Judicial	1,271,004	1,357,910	1,416,511	58,601	4.3%
Elections	1,037,619	1,007,964	1,022,942	14,978	1.5%
General Management	49,057,608	50,949,863	54,945,762	3,995,899	7.8%
Community Development	11,443,253	11,548,033	12,367,410	819,377	7.1%
Parks, Recreation and Culture	40,755,142	36,184,766	40,057,937	3,873,171	10.7%
Central and Outside Agency Appropriations	70,603,645	59,725,931	71,631,093	11,905,162	19.9%
Public Health and Assistance	73,095,317	79,677,741	79,935,964	258,223	0.3%
Public Safety	122,115,556	126,663,507	131,207,173	4,543,666	3.6%
Public Works	13,836,440	16,496,914	18,674,269	2,177,355	13.2%
Transit	11,427,551	11,934,317	11,939,581	5,264	0.0%
Debt Service	81,510,526	79,999,236	75,705,398	-4,293,838	-5.4%
Public School Education	321,413,214	337,148,281	354,868,309	17,720,028	5.3%
<b>General Fund Total</b>	<b>863,099,276</b>	<b>883,480,216</b>	<b>929,181,090</b>	<b>45,700,874</b>	<b>5.2%</b>

## Adopted FY 2022 General Fund Expenditures by Area



Note: Percentages may not total to 100 due to rounding.

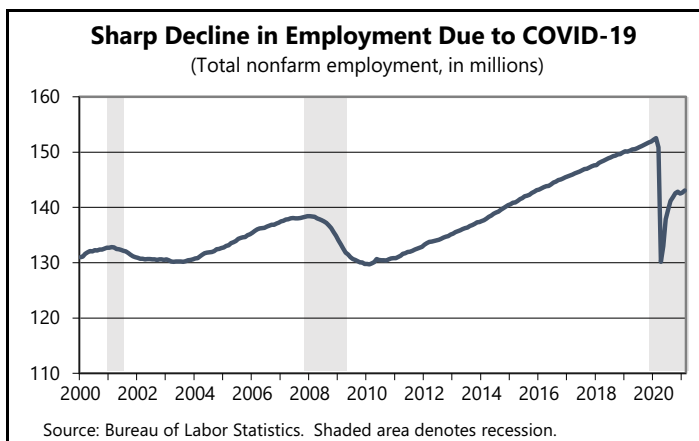
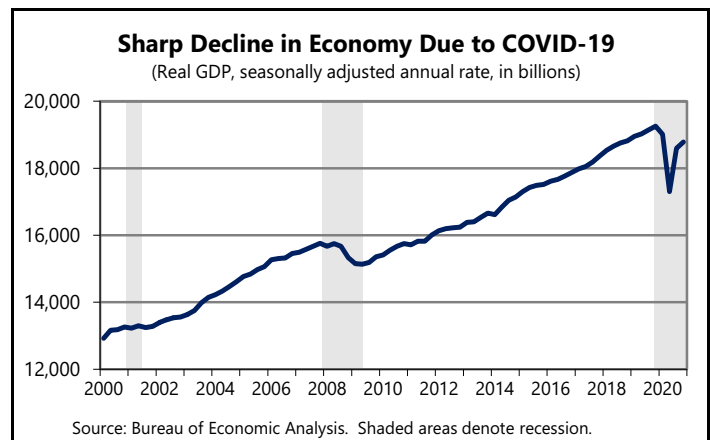
\*Does not include "in-kind" support. See Public School Education section.

# MAJOR REVENUE SOURCES

Evaluating the city's current and long-term financial health requires a review of the economy and major revenue sources. Overall, General Fund revenues are projected to increase by 5.2 percent in FY 2022 while operating revenues citywide (all funds) are projected to increase 4.5 percent. Real estate assessments, which drives the largest locally generated General Fund revenue source (real estate taxes), are projected to grow by approximately 3.25 percent in FY 2022, which is under the 3.7 percent and 4.5 percent growth in FY 2021 and FY 2020, respectively, but is the third highest increase in nine years.

## ECONOMIC OVERVIEW

The economy declined 3.5 percent (second estimate) in 2020 due to the COVID-19 pandemic. Economic activity contracted sharply in the first and second quarter, ending the longest economic expansion that began in June 2009. Real gross domestic product (GDP) which is the broadest measure of economic activity, fell 5.0 percent and 31.4 percent in the first and second quarter, respectively. In the third quarter, real GDP rose sharply by 33.4 percent and grew moderately in the fourth quarter by 4.1 percent (second estimate). In spite of the growth in the latter half of the year, real GDP is below its pre-COVID level, and the National Bureau of Economic Research (NBER), the official arbiter of U.S. recessions, has not yet called the end of the current recession that began in February 2020. The consensus view is that the economic recovery will depend on the course of the pandemic and the vaccine delivery.



National employment also declined in 2020. In March and April 2020, the economy lost over 22 million jobs. While the economy has gained jobs, the latest figures reported for February 2021 show employment to be below pre-COVID level by approximately 9.5 million jobs. The leisure and hospitality sector has been hardest hit, where employment in February 2021 is below pre-COVID level by nearly 3.5 million jobs. Likewise, the unemployment rate continues to be above pre-COVID level. In February 2021, the unemployment rate stood at 6.6 percent (seasonally adjusted) compared to 3.8 percent in the same period last year. The unemployment rate peaked at 14.4

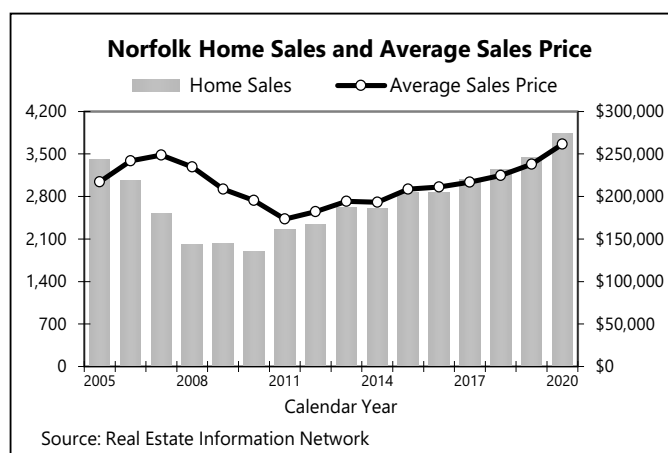
percent (seasonally adjusted) in April 2020. The initial claims for unemployment continue to be above pre-COVID level. For the week ending March 6, 2021 initial claims stood at 712,000 (seasonally adjusted) compared to 211,000 from the comparable period last year, while continued claims for the previous week stood at about 4.1 million (seasonally adjusted) compared to 1.7 million from the comparable period last year.

Similar to the nation, nonfarm employment in Virginia also declined as a result of the pandemic. The Virginia Employment Commission reported seasonally adjusted nonfarm employment stood at 3,910,000 (seasonally adjusted) in December 2020, which was down 189,900 jobs (preliminary) from the pre-COVID peak in February 2020. Among the Virginia metropolitan statistical areas (MSA), compared to February 2020 employment level, Northern Virginia MSA had the largest decline in number of jobs (71,300 seasonally adjusted) in December 2020

followed by Richmond MSA (35,100 jobs) and Hampton Roads MSA (27,900 jobs). However, these figures are subject to revision with the upcoming release of the annual benchmark revision.

As result of the COVID-19 pandemic, the Commonwealth's general fund revenues in FY 2020 came in below the forecast. The revenue shortfall resulted in the Governor to call for a reforecast of the current biennium revenues. The interim forecast presented in August indicated a \$2.7 billion reduction in the revenue forecast, and to reduce spending, much of the new spending unallotted during the reconvened session in April 2020 were converted to budget reductions in the biennial budget amended during the 2020 Special Session I. The reduction impacted funding for public safety (HB599), constitutional officers, and social services. Amendments introduced by the Governor in December and amendments agreed to by the House and Senate conferees (Conference Report) during the 2021 Special Session I restored some of the funding due to an improved revenue outlook. Virginia's fiscal stability is important to Norfolk, since nearly 37 percent of the General Fund budget in FY 2022 comes from the Commonwealth. These resources support Norfolk Public Schools, social services, street maintenance, public safety, and other core city services.

## GENERAL FUND REVENUE OVERVIEW



The city generates revenue through taxes, user charges, and intergovernmental transfers from the state and federal government. Over half of the city's General Fund revenues are generated locally from various taxes and fees including real estate, personal property, retail sales, permits, fines, and user charges. These sources fund municipal services such as police, fire-rescue, parks and recreation, libraries, street maintenance, public education (K-12), public health, and human services.

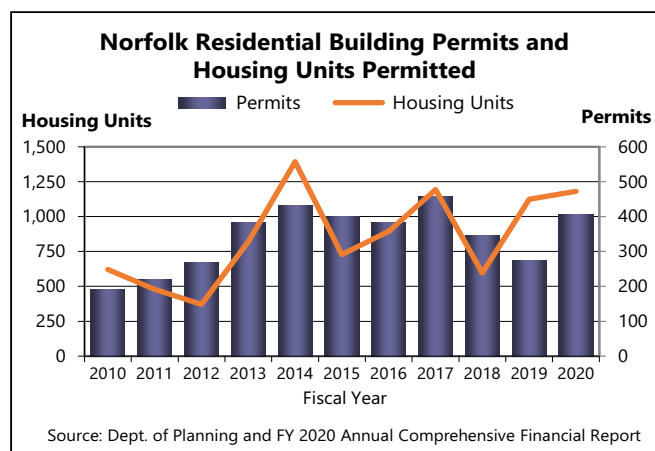
Similar to other Virginia localities, Norfolk is highly dependent upon real estate taxes to fund its general operations. Real estate taxes are the city's largest source of locally generated revenue. For FY 2022, the Office of

the Real Estate Assessor's Office is estimating that the land book value of real estate assessments on July 1, 2021 will increase by 3.25 percent from the land book value of real estate assessments on July 1, 2020. This would mark the ninth consecutive year of growth and the third largest in nine years.

The increase comes largely from residential assessments which reflect the continued strength in the local housing market activity while the impact of the COVID-19 pandemic on commercial assessments is anticipated in FY 2023 due to the lag in assessments. The local housing market was robust in calendar year 2020 with the number of homes sold increasing by approximately 11 percent, and the sales price of homes sold also increasing by nearly 10 percent, to approximately \$262,000 from \$238,000 in calendar year 2019.

New housing units permitted also increased in FY 2020. The new construction permitted throughout the city should support future growth in real estate assessments.

In FY 2020, the number of housing units permitted rose again, increasing to 1,182 in FY 2020 from 1,125 in FY 2019. Housing units permitted in FY 2020 included single-family homes permitted citywide as well as multi-family housing projects such as The Lofts at Front Street. In contrast, nonresidential (or "commercial") projects permitted



decreased in FY 2020. It is important to note that the city of Norfolk is built out, and the building activity occurring currently is mainly redevelopment, infill development, and vertical expansion.

The Commonwealth of Virginia provides approximately 37 percent of General Fund revenues in the FY 2022 General Fund budget, which consists of funding that is mostly for dedicated purposes such as education, social services, transportation, and constitutional officers. HB 599 funds for law enforcement, the city's share of personal property tax relief funds, and the tax on rental of cars also make up revenue from the Commonwealth. In total, it is the largest revenue source in the General Fund. As a result of the Great Recession, the Commonwealth saw a significant decline in revenues and in turn, reduced Direct Aid to education, HB 599, Constitutional Officers salaries and benefits funding, jail per diem, and funds for street maintenance, imposed a "flexible cut" to state aid to localities, and eliminated the local share of ABC profits and wine tax. Not all revenues from the Commonwealth have returned to pre-recession levels even though the Commonwealth's General Fund revenues have been above its last pre-recession peak since FY 2012. The Adopted FY 2022 Budget for revenue from the Commonwealth are based on the budget amendments agreed to by the House and Senate conferees (Conference Report).

The remaining revenue comes from the federal government which are mostly dedicated to Norfolk Public Schools and the Norfolk Community Services Board, recovered costs, interfund transfers, and carryforward of prior year funds. Interfund transfers represent a return on investment from Utilities (water and wastewater) operations. It also includes funding from the Public Amenities Fund to support the Norfolk Consortium (see Outside Agencies) and excess revenues from the Tax Increment Financing Fund. Carryforward funds are generated through a combination of projected current year savings, realized savings from prior years, and account closeouts. Carryforward funds may also include the re-appropriation of prior year(s) unspent designated funds.

Preliminary General Fund revenue projections, based on historical data and current economic data, were presented during the City Manager's financial and budget updates at the City Council financial update in the fall (November 2020) and the mid-year update in February 2021. Projections were updated through February to incorporate the current information available including state budget estimates and the Norfolk Public Schools proposed budget. Initial revenue estimates were based on the analysis of the collection history and patterns, underlying drivers that impact a revenue source, information from departments that collect revenue, overall economic environment, and developments projected for the city in the coming year. The revenue amounts shown in the discussion that follows include the FY 2021 budget and FY 2022 budget.

The FY 2022 General Fund budget is approximately \$929.2 million, which is 5.2 percent (\$45.7 million) above the Adopted FY 2021 Budget.

## General Fund Revenue Summary

Source	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted	FY 2021 vs. FY 2022 \$ Change	% Change	FY 2022 % of Total
General Property Taxes	305,693,092	311,526,200	322,871,000	11,344,800	3.6%	34.7%
Other Local Taxes	161,697,210	143,126,000	161,646,000	18,520,000	12.9%	17.4%
Permits and Fees	3,633,149	3,214,000	3,608,000	394,000	12.3%	0.4%
Fines and Forfeitures	798,931	1,201,000	1,218,000	17,000	1.4%	0.1%
Use of Money and Property	8,221,043	7,543,055	7,711,765	168,710	2.2%	0.8%
Charges for Services	20,425,711	23,539,021	23,379,568	-159,453	-0.7%	2.5%
Miscellaneous Revenue	9,677,776	8,983,473	8,976,770	-6,703	-0.1%	1.0%
Recovered Costs	11,390,149	10,880,725	11,183,290	302,565	2.8%	1.2%
Non-Categorical Aid - State	35,568,849	34,146,200	35,777,200	1,631,000	4.8%	3.9%
Shared Expenses - State	22,897,825	21,930,000	22,395,400	465,400	2.1%	2.4%
Categorical Aid - State	272,019,306	278,285,660	288,618,441	10,332,781	3.7%	31.1%
Federal Aid	9,027,163	8,736,882	8,790,256	53,374	0.6%	0.9%
Other Sources and Transfers In <sup>1</sup>	45,596,110	30,368,000	33,005,400	2,637,400	8.7%	3.6%
<b>General Fund Total</b>	<b>906,646,314</b>	<b>883,480,216</b>	<b>929,181,090</b>	<b>45,700,874</b>	<b>5.2%</b>	<b>100.0%</b>

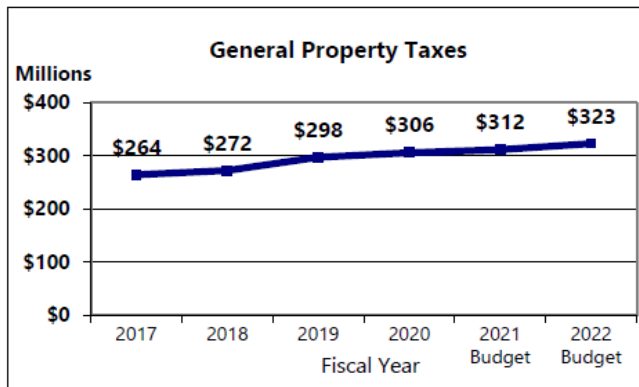
Note: Percentages may not total to 100 due to rounding.

<sup>1</sup>The FY 2020 amount reflects the one-time Virginia Beach water payment.

## REVENUE MONITORING

Collection of the city's revenue sources are monitored throughout the year. Financial reports are monitored monthly and quarterly to determine the accuracy of budget projections. This allows for appropriate administrative action if actual results differ substantially from projections. A detailed analysis is completed to project future revenue collections taking into account revenue drivers, information from departments that administer revenues, seasonal fluctuations, and economic conditions. Strong collection rates for locally generated taxes and fees reflect Norfolk residents' commitment and fulfillment of responsibility to the city.

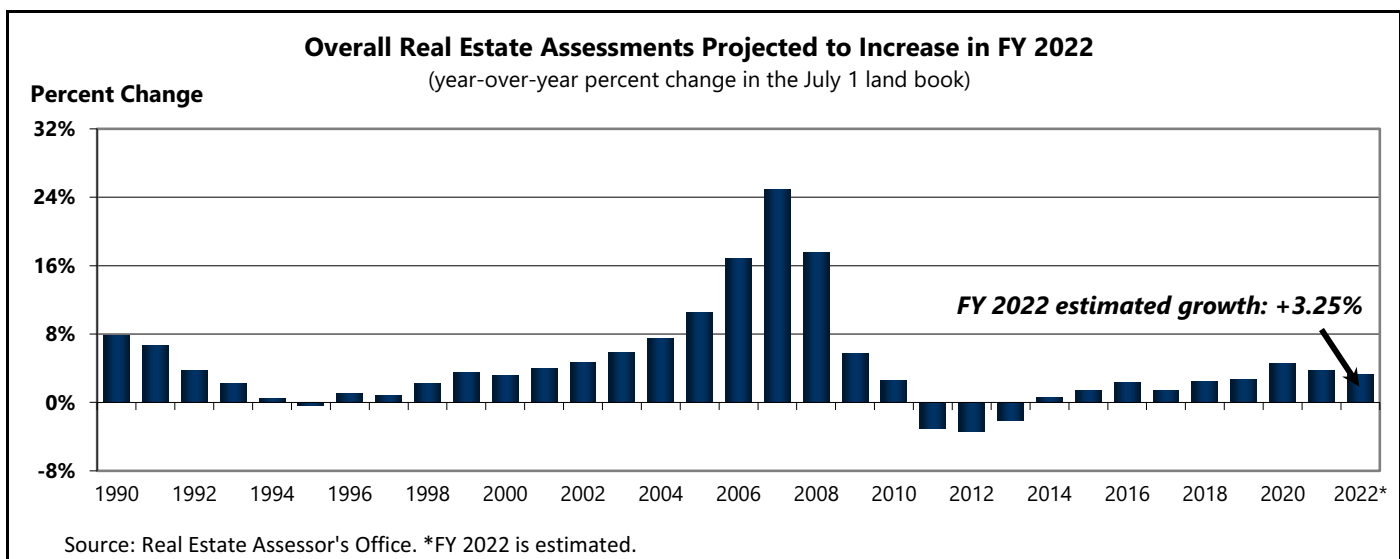
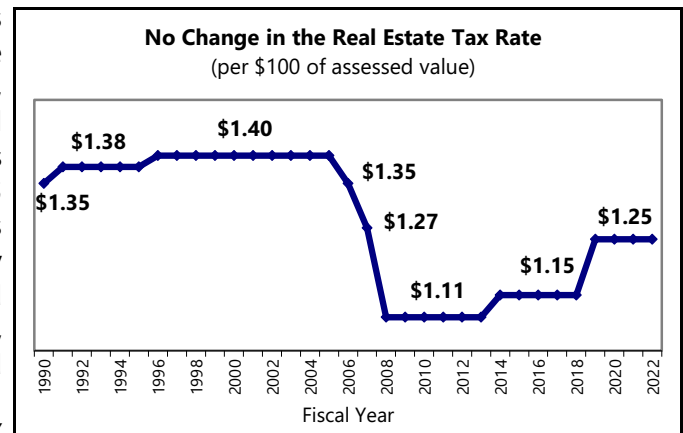
## GENERAL PROPERTY TAXES



General property taxes are levied on the assessed value of real estate and personal property including machinery and tools. These taxes make up approximately 35 percent or \$323 million of the city's FY 2022 General Fund revenues. Real estate tax revenue is the largest component of general property taxes, approximately \$269 million or 29 percent of FY 2022 General Fund revenues. It includes current and delinquent taxes as well as, the tax on public service corporations and the additional \$0.16 per \$100 of assessed value levied on real estate located within the Downtown Improvement District (DID). The estimate for current real estate taxes reflects the real estate tax rate of \$1.25 per

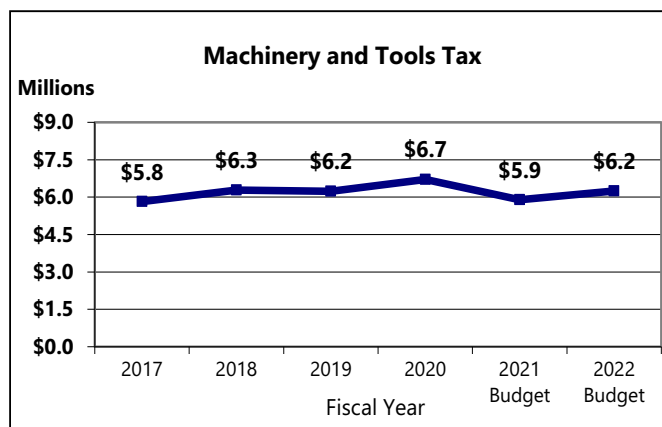
\$100 of assessed value and setting aside a sum sufficient amount estimated at \$5.3 million for real estate tax relief to qualifying senior and disabled homeowners and to state mandated disabled veterans and surviving spouses of military personnel killed in action.

The current real estate tax revenue estimate also reflects the Office of the Real Estate Assessor's estimate of the overall taxable assessments in the land book on July 1, 2020. The most recent update from the Office of the Real Estate Assessor indicated that overall taxable assessments on July 1, 2021 are projected to be approximately 3.25 percent above the land book value on July 1, 2020. It is also important to note that due to the significant property owned by federal, state, and local government, and religious and secular organizations in Norfolk, approximately 36 percent of the city's real estate assessed value is tax exempt. This would be equivalent to a potential revenue loss of \$146 million based on the FY 2021 assessed value and the current real estate tax rate of \$1.25 per \$100 of assessed value city's real estate assessed value is tax exempt.



The second largest component of general property taxes is the personal property tax, which is levied on tangible personal property, including motor vehicles, boats, aircraft, business furnishings, and office equipment. Household goods and personal effects are exempt from taxation. Personal property taxes in total include current and delinquent collections, refunds, and taxes from public service corporations. In FY 2022, these comprise approximately 5.1 percent or \$47.2 million of General Fund revenues and are estimated to be approximately 3.2 percent above the FY 2021 budget that was impacted by the COVID-19 pandemic.

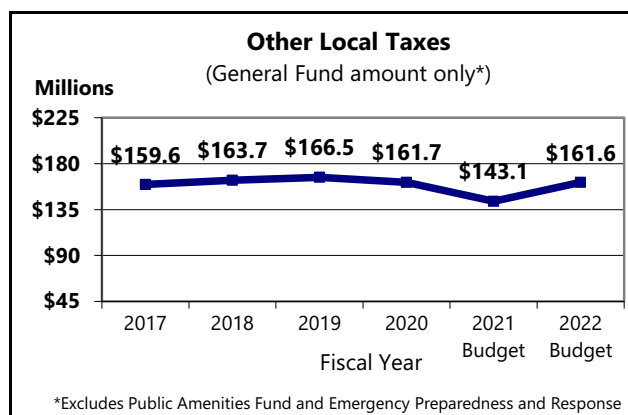
The FY 2022 budget assumes no change in the general tax rate on personal property at \$4.33 per \$100 of assessed value. The estimate also assumes the state car tax relief is unchanged at 55 percent (55%) rate for FY 2022 (tax bills due June 5, 2022). The 55 percent relief rate is anticipated to fully exhaust relief funds provided to the city by the Commonwealth of Virginia under the Personal Property Tax Relief Act. This means that qualifying vehicles with an assessed value of more than \$1,000 will receive a **55 percent (55%)** rate of tax relief on the vehicle's first \$20,000 of assessed value. Qualifying vehicles with an assessed value of \$1,000 or less will receive 100 percent (100%) rate of tax relief. Prior to FY 2006, qualifying vehicles with an assessed value of more than \$1,000 were reimbursed for 70 percent of the total property tax eligible for relief. State legislation passed in 2004 capped car tax relief funds statewide at \$950 million beginning in FY 2006. Consequently, each locality in the state now receives a fixed share of the \$950 million of statewide personal property tax relief funds per state code. Each locality's share was determined based on the proportional share of actual personal property tax relief payments received in tax year 2005, as certified by the Commonwealth of Virginia Auditor of Public Accounts, of which, Norfolk's share is \$16,871,056. Personal property tax relief funds received and not used in FY 2022 shall be carried forward and used to increase the funds available for car tax relief. With the cap on the amount of funds available for car tax relief, the percentage of the state reimbursement from the total tax is expected to decrease over time and residents will pay an increasing share of the car tax.



The machinery and tools tax is the third largest component of general property taxes. In FY 2022, the tax makes up approximately 0.7 percent or \$6.2 million of General Fund revenues. The tax is levied on machinery and tools used in manufacturing, mining, radio and television broadcasting, cable television, dry cleaning or laundry businesses at a rate of \$4.25 per \$100 of assessed value. That tax rate is eight cents below the tax rate on general personal property of \$4.33 per \$100 of assessed value. Machinery and tools tax revenue is expected to remain stable in FY 2022. It is important to note that there have been several attempts by state legislators to curtail or eliminate localities' taxing authority over this source.

## OTHER LOCAL TAXES

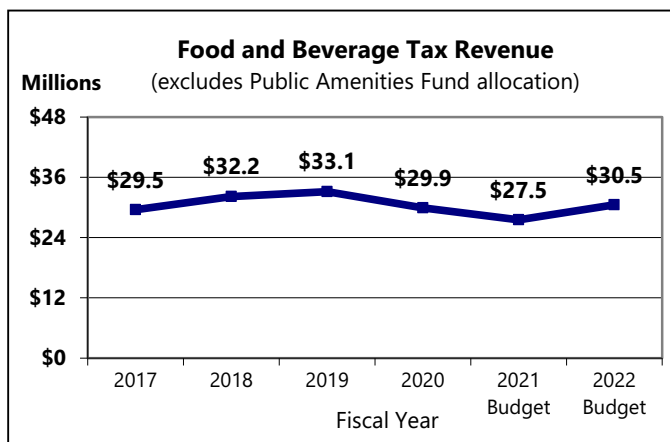
Other local taxes comprise of consumer and business-based taxes, including taxes on utilities (water, gas, electricity, and communications), sales, hotel, restaurant/meals, admissions, and cigarettes, as well as franchise, business license, and recordation taxes. Historically, the revenue category has been sensitive to changes in economic conditions and is anticipated to be most impacted by the economic effects of COVID-19. Other local taxes are projected to comprise approximately 17 percent or \$162 million of General Fund revenues in FY 2022 and are 13 percent above the FY 2021 budget. Other local taxes include the consumption-based taxes which have been particularly impacted by measures



taken to limit the spread of COVID-19 such as, the closure of businesses and schools and restricting or cancellation of events and large gatherings. Citywide (all funds), other local taxes make up 13 percent or \$172 million of the operating budget in FY 2022 and are also 13 percent above the FY 2021 budget. The citywide amount includes the Public Amenities Fund portion of the hotel and food and beverage taxes and Emergency Preparedness and Response portion of the telecommunications sales and use tax.

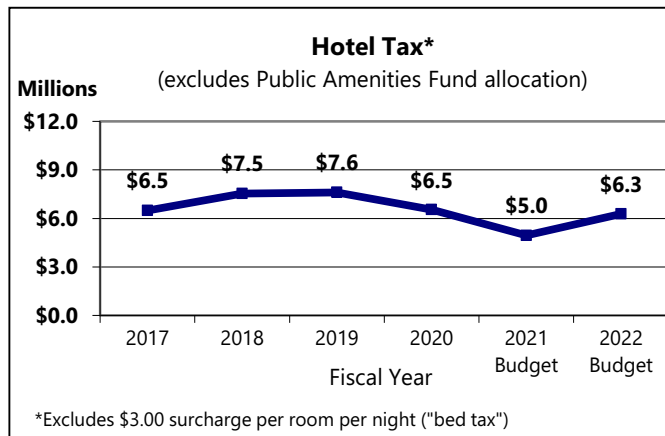
The sales and use tax makes up approximately 4.1 percent or \$38.3 million of the city's General Fund revenue in FY 2022 which is approximately 23 percent above the FY 2021 budget that was impacted by the COVID-19 pandemic. The sales and use tax is levied on selling, distribution, leasing, or renting of tangible personal property, use or consumption of tangible personal property, as well as taxable services in Virginia. Revenue from this source has historically been sensitive to the state of the economy, household income, and underlying price level changes. Changes in the local retail activity (such as new businesses, expansions, closures, and job changes) and in the local economy impact the projection of this revenue source. Also, much of the growth in FY 2020 and FY 2021 was largely due to Wayfair related legislation. Since July 1, 2019, sales tax requirements have been in place for remote sellers and marketplace facilitators that have an economic nexus in Virginia. Under the law enacted during the 2019 session of the General Assembly, a remote seller or marketplace facilitator who meet the economic nexus standards of selling or facilitating the sale of more than \$100,000 in annual gross retail sales or 200 or more transactions to Virginia customers began collecting sales tax on July 1, 2019. Prior to the new law, only businesses with a physical presence in Virginia were required to collect the state's sales and use tax. Adjustments made by the Virginia Department of Taxation for overpayments and underpayments of the tax by businesses also affect sales and use tax collections.

Consumer utility taxes on water, gas, electricity, and the communications sales and use tax combined, make up approximately 3.6 percent or \$33.8 million of the city's General Fund revenue in FY 2022 and is 4.0 percent above the FY 2021 budget. The consumer utility tax is levied on the purchase of utility service including water, gas, and electricity. Monthly receipts are monitored and used as a basis for estimating the revenue yield, taking seasonal variations into consideration. The consumer utility tax on telephones, cell phones, and cable TV was abolished and replaced by a statewide uniform communications sales and use tax on January 1, 2007. The Emergency 911 (E-911) tax on telephones was also replaced by a statewide uniform \$0.75 tax per phone at the same time. The E-911 tax is distributed to the city together with the communications sales and use tax in one lump sum. Consequently, a portion of the city's communications sales and use tax is allocated and goes directly to support emergency communications (E-911) in the Emergency Preparedness and Response Special Revenue Fund (approximately \$3.6 million). The General Fund portion of the communications sales and use tax is estimated to be \$13.2 million in FY 2022. Since the inception of the tax, revenue has fluctuated due to adjustments for overpayments and underpayments of the tax by telecommunications service providers and has trended down due to changes in technology and lower utilization of communications services subject to the tax. State legislation to modernize local taxation authority to reflect technological changes in communication services were proposed during the 2018 General Assembly Session but were not enacted.



Taxes are collected on prepared food and beverages. The tax rate is 6.5 percent of the value of the meal. One percentage point is allocated to the Public Amenities Fund, and 5.5 percentage points is allocated to the General Fund. The revenue generated by 1.0 percentage point of the tax rate for the Public Amenities Fund is estimated to be approximately \$5.6 million in FY 2022, and the revenue generated from the 5.5 percentage points of the tax rate allocated to the General Fund is estimated to be approximately \$30.5 million. The FY 2022 estimate is 11 percent above the FY 2021 budget which was impacted significantly by the COVID-19 pandemic. Prior to the COVID-19 pandemic, revenue from the food and beverage tax had been growing

steadily as the city continues to draw restaurants to open in several commercial districts such as, downtown Norfolk, the Military Highway corridor, and Ghent and Colley Avenue areas.



Hotel taxes are levied on occupied hotel rooms at the rate of 8.0 percent of the room charge. Similar to the food and beverage tax, one percentage point is allocated to the Public Amenities Fund and 7.0 percentage points is allocated to the General Fund. The revenue generated by 1.0 percentage point of the tax for the Public Amenities Fund is estimated to be nearly \$897,000 in FY 2022, and the revenue generated from the 7.0 percentage points allocated to the General Fund is estimated to be nearly \$6.3 million in FY 2022. The FY 2022 estimate is 27 percent above the FY 2021 budget. The increase reflects a partial recovery of the steep decline that occurred in FY 2021 due to the COVID-19 pandemic. Prior to the pandemic, revenue from the hotel

tax was growing steadily which is similar to the trends seen in other consumption-based taxes that was impacted significantly by the COVID-19 pandemic.

The hotel tax estimate does not include the \$3.00 surcharge per room night ("bed tax"), estimated to generate approximately \$2.9 million in FY 2022. The bed tax was enacted on April 1, 2006 at the rate of \$1.00 per room night with support from the Norfolk Hotel-Motel Association and the revenue designated for Norfolk Convention and Visitor's Bureau (Visit Norfolk) for visitor promotion and advertising for conventions and tourism. In FY 2012, the bed tax was raised to \$2.00 per room night with the additional \$1.00 revenue designated for the Norfolk Consortium (see Outside Agencies section). In FY 2019, the bed tax was raised to \$3.00 per room night (current rate) to offset budget reductions to Outside Agencies (see Outside Agencies section).

Business license taxes are collected from entities that engage in a business, trade, profession, or occupation in the city. It is generally imposed as a percentage of gross receipts generated during the previous calendar year. It is also applied to individuals that maintain a place of business, either permanent or temporary, or conduct a business-related activity. Business license tax rates vary depending on business classification and gross receipts generated. Norfolk's rates are at the state maximum allowed for the main business classifications. Revenue collections in recent years have been reduced by refunds of overpayments. In FY 2021, business license taxes are anticipated to be impacted significantly by the unprecedented shutdown of the economy that occurred during the spring of calendar year 2020. Business license taxes makes up approximately 3.1 percent or 29 million of General Fund revenues in FY 2022.

## PERMITS AND FEES

Permits are issued to regulate new construction and ensure public safety. Revenues from this source are comprised of fees for permits, licenses, and other privileges subject to city regulation. The revenues partially cover the expense of providing regulatory services such as, zoning inspections, building code inspections, plan review, right-of-way permitting, and fire inspections in the city. Revenue from this source has generally fluctuated based upon the level of building construction activity in the city and large commercial projects. Permits and regulatory fees are projected to be approximately 0.4 percent or \$3.6 million of General Fund revenues in FY 2022, which is approximately 12 percent above the FY 2021 budget.

## FINES AND FORFEITURES

---

Fines and forfeitures in the General Fund largely consist of revenues received from the courts as fines and forfeitures for violations of city ordinances. In FY 2022, fines and forfeitures provide approximately 0.1 percent or \$1.2 million of General Fund revenues. The FY 2022 budget is approximately 1.4 percent or \$17,000 above the FY 2021 budget. Citywide, fines and forfeitures total approximately \$3.8 million of revenues from all operating funds in FY 2022. The majority of the revenues from this source citywide are generated from fines for parking citations which support the operations of the Parking Facilities Fund (nongeneral fund).

## USE OF MONEY AND PROPERTY

---

Revenue from use of money and property is comprised primarily of interest earned on cash balances, rent from short-term and long-term property leases, income from cultural facilities venues, and prudent management of city assets. In FY 2022, revenue from this source makes up approximately 0.8 percent or \$7.7 million of General Fund revenues. The FY 2022 budget is approximately 2.2 percent above the FY 2021 budget. The increase reflects gradual restoration of revenue from cultural facilities events, interest earned from the city's investments, and rental income from city-owned property.

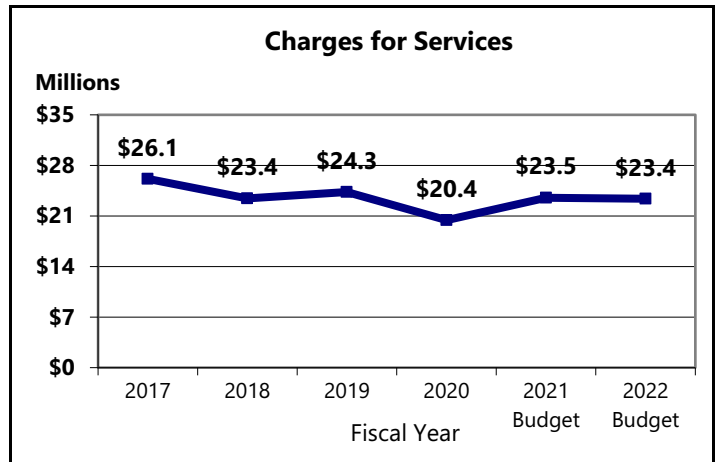
## CHARGES FOR SERVICES

---

Charges for services include fees charged for various programs and services such as, recreation centers, Virginia Zoo, courts (judiciary), paramedical rescue, Norfolk Public School activities, Norfolk Community Services Board (NCSB), cruise ship terminal, and Nauticus.

Charges for services make up approximately 2.5 percent or \$23.4 million of General Fund revenues in FY 2022. The FY 2022 budget is 0.7 percent below the FY 2021 budget which reflects utilization of city facilities such as, the cruise ship terminal, Nauticus, recreation centers, and libraries in FY 2022.

Citywide, the majority of the revenue collected from this source are charges for services by nongeneral funds. Charges for services citywide make up approximately \$331 million (which is over ten times the amount budgeted in the General Fund). The nongeneral fund charges are mostly from user fees for utilities (water and wastewater), parking facilities, storm water, and refuse disposal. The rates for these user fees are set to ensure enterprise fund operations are fully supported by the fees collected. See Selected Tax Rates and Fees section for changes in the rates for nongeneral fund charges for services in FY 2022.



## MISCELLANEOUS REVENUE

---

Miscellaneous revenue consists of revenues not classified in other categories and includes revenue from payments in lieu of taxes, fee for services provided to the U.S. Navy for the housing public-private venture, administrative fees, and proceeds from the sale of city-owned land. In FY 2022, the city is estimating to receive approximately \$9.0 million, which represents 1.0 percent of General Fund revenues in FY 2022 and is approximately 0.1 percent below and is virtually unchanged from the FY 2021 budget.

## RECOVERED COSTS

---

Recovered costs consist of revenue from nongeneral funds, partner agencies, and the public for certain expenses, such as indirect costs, employee compensation, debt service, and communications and information technology services. Recovered costs make up approximately 1.2 percent or \$11.2 million of General Fund revenues in FY 2022. The FY 2022 budget is approximately 2.8 percent (\$0.3 million) above the FY 2021 budget. The increase in the FY 2022 budget from FY 2021 is largely due to the distribution and allocation of indirect costs to nongeneral fund departments.

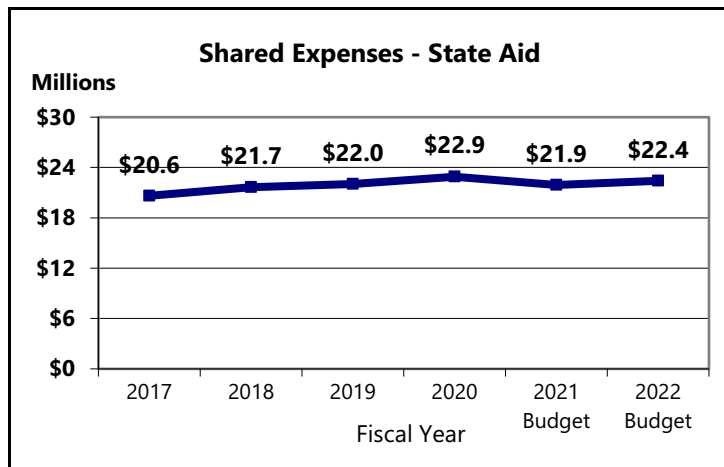
## NON-CATEGORICAL AID - VIRGINIA

---

Non-categorical aid consists of revenue from the Commonwealth without restriction as to use. Non-categorical aid is estimated to be 3.9 percent or \$35.8 million of General Fund revenues and is approximately 4.8 percent above the FY 2021 budget. The increase is mostly from the car rental tax which reflects current utilization and anticipated return of visitors and travel to the region. The FY 2022 estimate also reflects no change in the state aid for HB 599 (Public Safety) based on the budget amendments agreed to by the House and Senate conferees (Conference Report).

## SHARED EXPENSES

---



Shared expenses consist of recovered costs from the Commonwealth for a portion of the salaries and benefits of constitutional and other offices serving the Norfolk community, including the Norfolk Electoral Board, Sheriff, City Treasurer, Commissioner of the Revenue, Clerk of the Circuit Court, and Commonwealth's Attorney. Shared expenses make up approximately 2.4 percent or \$22.4 million of General Fund revenues in FY 2022, which is approximately 2.1 percent above the FY 2021 budget. The increase largely reflects the five percent state salary increase for constitutional officers and staff and the registrar and electoral board members.

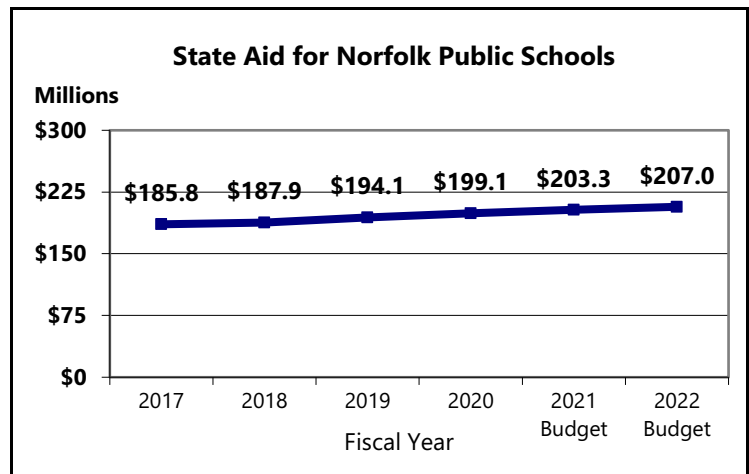
Also, the increase includes state funds to: restore support for certain underfunded and unfunded constitutional officer positions; increase the salaries of certain circuit court clerk staff to address pay equity with district court clerks' staff; and fully reimburse localities for general registrars' salaries and electoral board members' compensation.

## STATE CATEGORICAL AID

---

Categorical aid from the Commonwealth consists mainly of revenues earmarked for core services including, Norfolk Public Schools, Department of Human Services, public assistance grants, Norfolk Community Services Board (NCSB), libraries, Virginia Department of Transportation (VDOT) funding for street maintenance and localities that host port-owned facilities, and local adult correctional facility. State categorical aid makes up approximately 31 percent or \$288.6 million of General Fund revenues in FY 2022 which is approximately 1.8 percent above the FY 2021 budget. The increase is largely for Norfolk Public Schools (\$8.9 million), street maintenance, mental health, and human services.

Of the \$288.6 million of state categorical aid estimated to be received in FY 2022, the majority is earmarked for Norfolk Public Schools, approximately \$212.2 million of the \$288.6 million. Categorical aid for Norfolk Public Schools includes the state sales and use tax and state school funds. State sales and use tax for schools is the revenue from the city's proportionate share of the state sales and use tax designated for public education. Since July 1, 2012, the city's share of the state sales and use tax is based on the population estimate provided by the Weldon Cooper Center for Public Service at the University of Virginia. In addition in FY 2014, state sales and use tax dedicated to public education increased to  $1\frac{3}{8}$



cent as part of the statewide transportation bill. Prior to FY 2014,  $1\frac{1}{4}$  cent of the state sales and use tax was dedicated to public education, which reflected the change in FY 2005 when half of the one-half cent sales and use tax increase adopted by the General Assembly was earmarked for local school divisions and real estate tax relief. Half of that quarter percent is distributed in the manner discussed above. The other half of the quarter percent goes to support the Standards of Quality (SOQ), which is included in state school funds. State school funds support school operational costs. The rate of reimbursements is based on the SOQ formula with reimbursement rates varying by program and area of emphasis. Changes in enrollment figures affect this revenue source. Localities are required to match the state contribution based on a composite index. Norfolk continues to provide more than its required share of local effort.

Categorical aid also includes the state reimbursement for the cost of operating the Department of Human Services and Norfolk Community Services Board, estimated to be approximately \$38.0 million and \$9.4 million, respectively. State aid is tied to operating costs that include the cost of personnel, fringe benefits, nonpersonal services, and rent for buildings and parking. The reimbursement rate of the overall costs varies by program..

The jail per diem estimate is approximately \$1.9 million in FY 2022 with no changes anticipated in the jail per diem rates based on the estimate provided by the Virginia Compensation Board. Since the 2016-2018 biennium, the amount appropriated by the Commonwealth has been based on the expected cost of jail per diems. In prior years, the General Assembly did not appropriate the full estimated statewide cost for jail per diems and the funding shortfall was addressed in the mid-biennium or caboose budget. However, if the appropriation falls short due to statewide inmate population being higher than anticipated, the Compensation Board will prorate the amounts distributed to local jails. The last time jail per diem rates were changed was during the 2010 session of the General Assembly. Since March 1, 2010, per diem payments for local responsible inmates in local or regional jails was reduced to \$4.00 per day from \$8.00 per day, while the per diem payments for state inmates housed in local jails was changed to \$12.00 per day from \$8.00 or \$14.00 per day (reflecting the \$6.00 bonus payment for certain state inmates). Payment for jail contract beds fell to \$8.00 per day from \$14.00 per day. These changes in the per diem rates resulted in approximately a \$2.0 million decline in jail per diem funding to the city.

Categorical aid also includes funds received from the Virginia Department of Transportation (VDOT) for street construction and maintenance and support for localities that host Virginia Port Authority owned real estate, estimated in total to be approximately \$26.8 million in FY 2021. The funds for street construction and maintenance are received from VDOT to maintain the city's principal and minor arterials, collector roads, and local streets based on moving lane miles. The revenue allocated to the city is based on a statewide maintenance index of the unit costs used on roads and bridges. Changes in the index are used to calculate and implement annual per-land-mile rates. The rates fluctuate on index changes and number of miles assessed. These funds offset qualifying operating costs recorded in the city's budget.

## FEDERAL AID

---

Aid from the federal government primarily includes funds for Norfolk Public Schools and Norfolk Community Services Board. Federal aid totals approximately \$8.8 million or 1.0 percent of General Fund revenues in FY 2022 and is up 0.6 percent (\$53,374) from the FY 2021 budget. The FY 2022 budgeted amount does not include Federal funds provided to assist individuals, businesses, and state and local governments in response to the COVID-19 pandemic.

## OTHER SOURCES AND TRANSFERS IN

---

Revenue from other sources and transfers in consist of intra-governmental transfers and carry forward funds. It totals approximately \$33.0 million or 3.6 percent of General Fund revenues in FY 2022, which is an increase of approximately \$2.6 million from the FY 2021 budget. In FY 2022, other sources and transfers in includes transfers in of approximately \$18.8 million from nongeneral funds including: Utilities (\$10 million); Tax Increment Financing Fund (\$5.3 million) which consists of the annual transfer of excess revenue; and Public Amenities Fund (\$3.5 million) to support the Norfolk Consortium. See Outside Agencies section of the budget document for details on the Norfolk Consortium. The remaining amount (\$14.2 million) consists of: carry forward of prior year savings by the Norfolk Community Services Board (\$2.0 million); carry forward of Coronavirus Relief Funds (\$7.5 million), and carryforward of prior year (\$0.9 million) and anticipated current year savings (\$3.8 million).

# APPROPRIATIONS

Department	FY 2022 Adopted
<b>GENERAL FUND</b>	
<b>LEGISLATIVE</b>	
City Council	384,773
City Clerk	1,767,479
City Real Estate Assessor	2,341,281
City Auditor	1,020,324
<b>Total Legislative</b>	<b>5,513,857</b>
<b>EXECUTIVE</b>	
City Manager	2,831,972
Budget and Strategic Planning	2,281,354
Resilience	646,457
Communications	1,975,834
St. Paul's Area Transformation	3,919,000
Housing and Community Development	857,691
<b>Total Executive</b>	<b>12,512,308</b>
<b>DEPARTMENT OF LAW</b>	<b>5,226,300</b>
<b>CONSTITUTIONAL OFFICERS</b>	
Commissioner of the Revenue	3,183,931
City Treasurer	2,638,728
Clerk of the Circuit Court	3,130,537
Commonwealth's Attorney	6,376,304
Sheriff and Jail	36,826,776
<b>Total Constitutional Officers</b>	<b>52,156,276</b>
<b>JUDICIAL</b>	
General District Court	260,761
Juvenile and Domestic Relations Court	81,833
Circuit Court Judges	896,356
Norfolk Juvenile Court Service Unit	165,905
Magistrate	11,656
<b>Total Judicial</b>	<b>1,416,511</b>
<b>ELECTIONS</b>	<b>1,022,942</b>
<b>GENERAL MANAGEMENT</b>	
Information Technology	17,896,466

<b>Department</b>	<b>FY 2022 Adopted</b>
Finance	6,867,143
General Services	26,261,397
Human Resources	3,920,756
<b>Total General Management</b>	<b>54,945,762</b>
<b>COMMUNITY DEVELOPMENT</b>	
City Planning	5,063,228
Neighborhood Services	4,897,929
Economic Development	2,406,253
<b>Total Community Development</b>	<b>12,367,410</b>
<b>PARKS, RECREATION AND CULTURE</b>	
Libraries	8,382,219
Cultural Facilities, Arts and Entertainment	5,940,365
Zoological Park	4,243,389
Nauticus	3,835,953
Slover Library	2,381,645
Recreation, Parks and Open Space	15,274,366
<b>Total Parks, Recreation and Culture</b>	<b>40,057,937</b>
<b>CENTRAL AND OUTSIDE AGENCY APPROPRIATIONS</b>	
Central Appropriations	19,263,742
Outside Agencies	52,367,351
<b>Total Central and Outside Agency Appropriations</b>	<b>71,631,093</b>
<b>PUBLIC HEALTH AND ASSISTANCE</b>	
Norfolk Community Services Board	25,784,159
Public Health	3,240,091
Human Services	50,911,714
<b>Total Public Health and Assistance</b>	<b>79,935,964</b>
<b>PUBLIC SAFETY</b>	
Police	79,737,018
Fire-Rescue	51,470,155
<b>Total Public Safety</b>	<b>131,207,173</b>
<b>PUBLIC WORKS</b>	<b>18,674,269</b>
<b>TRANSIT</b>	<b>11,939,581</b>
<b>DEBT SERVICE</b>	<b>75,705,398</b>
<b>PUBLIC SCHOOL EDUCATION (Norfolk Public Schools)</b>	<b>354,868,309</b>
<b>Total General Fund</b>	<b>929,181,090</b>

Department	FY 2022 Adopted
<b>SPECIAL REVENUE FUNDS</b>	
Towing and Recovery Operations	1,655,435
Cemeteries	1,763,240
Golf Operations	15,000
Public Amenities	8,749,997
Emergency Preparedness and Response	6,491,886
Tax Increment Financing	6,768,400
Waste Management	22,429,993
<b>Total Special Revenue Funds</b>	<b>47,873,951</b>
<b>ENTERPRISE FUNDS</b>	
Water Utility	100,898,278
Wastewater Utility	34,521,323
Storm Water Management	21,997,926
Parking Facilities	22,434,358
<b>Total Enterprise Funds</b>	<b>179,851,885</b>
<b>INTERNAL SERVICE FUNDS</b>	
Norfolk Healthcare Consortium	106,086,057
Fleet Management	11,385,802
<b>Total Internal Service Funds</b>	<b>117,471,859</b>
<b>TOTAL CITY OPERATIONS</b>	<b>1,274,378,785</b>
<b>CAPITAL IMPROVEMENT PLAN</b>	<b>187,508,200</b>
<b>ANNUAL GRANTS PLAN<sup>1</sup></b>	<b>75,521,801</b>
<b>ANNUAL PLAN</b>	<b>8,708,872</b>
<b>TOTAL APPROPRIATIONS</b>	<b>1,546,117,658</b>

<sup>1</sup>These amounts reflect the “up to” amount appropriated by the FY 2022 operating budget ordinance. The actual grant award will vary annually.

# SELECTED TAX RATES AND FEES

Description	FY 2021 Adopted	FY 2022 Adopted
<b>PROPERTY TAXES</b>		
<b>Real Estate</b> (General Tax)	\$1.25/\$100 Assessed Value	\$1.25/\$100 Assessed Value
<b>Real Estate</b> (Downtown Improvement District)	\$1.41/\$100 Assessed Value	\$1.41/\$100 Assessed Value
<b>Personal Property</b>		
Airplane	\$2.40/\$100 Assessed Value	\$2.40/\$100 Assessed Value
Motor Vehicle	\$4.33/\$100 Assessed Value	\$4.33/\$100 Assessed Value
Recreational Vehicle	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Business Furniture, Fixtures, and Equipment	\$4.33/\$100 Assessed Value	\$4.33/\$100 Assessed Value
Watercraft - Business	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Watercraft - Recreational	\$0.000001/\$100 Assessed Value	\$0.000001/\$100 Assessed Value
<b>Machinery &amp; Tools</b>	\$4.25/\$100 Assessed Value	\$4.25/\$100 Assessed Value
<b>OTHER LOCAL TAXES</b>		
<b>Amusement and Admissions</b>	10%	10%
<b>Cigarette</b>	95 cents/pack of 20 cigarettes (47.5 mils/cigarette)	95 cents/pack of 20 cigarettes (47.5 mils/cigarette)
<b>Emergency 911 (Landline)</b>	Replaced by the statewide E-911 tax rate of \$0.75/line/month	Replaced by the statewide E-911 tax rate of \$0.75/line/month
<b>Hotel/Motel Lodging</b>	8%	8%
<b>Bed Tax</b>	\$3.00 per room night	\$3.00 per room night
<b>Food and Beverage</b>	6.5%	6.5%
<b>Recreational Boat License:</b>		
Boats under 16 feet in length	\$15.00	\$15.00
Boats 16 feet and over in length	\$40.00	\$40.00
<b>Motor Vehicle License:</b>		
Small Trailers (<2,000 pounds)	\$11.50	\$11.50
Motorcycles	\$20.00	\$20.00
Cars and Small Trucks	\$31.00	\$31.00
Mid-Size Trucks/Vans (>4,000 pounds)	\$36.00	\$36.00
Large Vehicles (over 19,000 pounds)	\$1.60-\$1.80/1,000 pounds of gross weight (additional \$5 flat fee)	\$1.60-\$1.80/1,000 pounds of gross weight (additional \$5 flat fee)

Description	FY 2021 Adopted	FY 2022 Adopted
<b>REFUSE DISPOSAL</b>		
<b>Residential</b>		
Single or Multiple Units (four units or less)	\$27.01/unit/month	\$27.01/unit/month
Multiple Units (five units or more)	\$45.94/container/month	\$45.94/container/month
<b>Commercial</b>		
Business 1 times per week	\$61.18/unit/month	\$61.18/unit/month
Business 5 times per week	\$151.64/unit/month	\$151.64/unit/month
Combined Commercial and Residential	\$88.19/unit/month	\$88.19/unit/month
<b>WATER AND WASTEWATER UTILITY FEES</b>		
Water	<b>\$5.48/100 cubic feet</b>	<b>\$5.67/100 cubic feet</b>
Wastewater	<b>\$4.65/100 cubic feet</b>	<b>\$4.84/100 cubic feet</b>
<b>STORM WATER FEES (rate calculated based on a 30-day month)</b>		
Residential	<b>\$12.38/month</b>	<b>\$12.72/month</b>
Commercial	<b>\$12.38/month per 2,000 sq. ft.</b>	<b>\$12.72/month per 2,000 sq. ft.</b>
<b>UTILITY TAXES</b>		
<b>Commercial</b>		
Gas	Rate/month: \$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance (maximum of \$500/month)	Rate/month: \$3.225 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance (maximum of \$500/month)
Electricity (Manufacturing)	Rate/month: \$1.38 + \$0.004965/kWh 0-3,625,100 kWhs + \$0.004014/kWh on balance (maximum of \$53,000/month)	Rate/month: \$1.38 + \$0.004965/kWh 0-3,625,100 kWhs + \$0.004014/kWh on balance (maximum of \$53,000/month)
Electricity (Non-Manufacturing)	Rate/month: \$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance	Rate/month: \$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance
Telephone (Cellular, Landline)	Replaced by the State Communications Sales & Use Tax 5% of sales price of services	Replaced by the State Communications Sales & Use Tax 5% of sales price of services
Water	25% on first \$75, plus 15% of bill in excess of \$75	25% on first \$75, plus 15% of bill in excess of \$75
<b>Residential</b>		
Cable and Satellite Service Telephone (Cellular, Landline)	Replaced by the State Communications Sales & Use Tax	Replaced by the State Communications Sales & Use Tax
Electricity	\$1.75 + \$0.016891/kWh monthly (capped at \$3.75/month)	\$1.75 + \$0.016891/kWh monthly (capped at \$3.75/month)
Gas	\$1.50/month	\$1.50/month
Water (5/8" Meter)	25% on first \$22.50/month	25% on first \$22.50/month

# GENERAL FUND BALANCE RESERVES

The establishment and maintenance of general operating reserves is considered one of the most effective management practices a local government can employ. The purpose of a reserve is to act as the city's "savings" account to meet emergency or unanticipated needs without jeopardizing the ongoing provision of city services. Reserves help to cushion against cash flow challenges such as providing an interim source of funding for emergency costs from a significantly large unexpected expenses such as a hurricane. The appropriate size of reserves depends on variability of revenues and expenditures and an organization's cash flow needs.

City Council's resolution passed on February 26, 2019, updated the city's policies on reserves, debt affordability, and surplus funds utilization, and adopted new financial policies on pension funding and enterprise fund financial management. The city's financial policies demonstrate its commitment to consistent financial practices, operational efficiencies and best practices. Sound financial management practices contribute to maintaining high city credit ratings and lower borrowing costs for capital projects, preserve fiscal integrity, and promote long-term fiscal sustainability. The Financial Policies section provides more details on the updated policies.

## General Fund Balance Reserves

Reserve	FY 2020 Actual	FY 2021 Minimum	FY 2021 Maximum	FY 2021 Projected
<b>General Fund Unassigned Reserve<sup>1</sup></b>	\$66,085,337	\$66,085,337	N/A	\$66,085,337
<b>Risk Management Reserve</b>	\$7,171,121	\$7,171,121	\$8,000,000	\$7,171,121
<b>Economic Downturn Reserve</b>	\$5,000,000	\$5,000,000	\$5,000,000	\$4,600,000
<b>Inclusive Development Opportunity Fund</b>	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
<b>General Fund Balance Reserves at June 30<sup>2</sup></b>	<b>\$80,256,458</b>			<b>\$79,856,458</b>

<sup>1</sup>The amounts are based on the updated financial policies adopted by City Council on February 26, 2019. The minimum and projected FY 2021 General Fund unassigned reserve is based upon ten percent (10%) of General Fund expenditures, plus General Fund transfers out as of June 30, 2020.

<sup>2</sup> The amounts above exclude reserves for encumbrances and other legally restricted reserves and designations for specific appropriations.

# ESTIMATED GENERAL FUND - FUND BALANCE

---

<b>Beginning General Fund - Fund Balance, July 1, 2020 (ACFR)*</b>		<b>\$155,016,656</b>
<hr/>		
Add Revenues		
Revenues (excluding transfers)	\$853,112,216	
Return from water and wastewater utility funds	10,000,000	
Return from tax increment financing fund	4,982,000	
Public amenities fund support for Norfolk Consortium	3,500,000	
<b>Total Fund Balance and Revenues</b>		<b>\$1,026,610,872</b>
<hr/>		
Less: Anticipated Expenditures		
Norfolk Public Schools operating budget	\$337,148,281	
Public safety	126,663,507	
Public health and assistance	79,677,741	
Other city departments	200,265,520	
Central appropriations and outside agencies	59,725,931	
Debt service	79,999,236	
<b>Projected Fund Balance at June 30, 2021 with budgeted FY 2021 expenditures</b>		<b>\$143,130,656</b>
<hr/>		

\*Amount reported in the FY 2020 Annual Comprehensive Financial Report (ACFR)

# SUMMARY OF CHANGES IN FUND BALANCE

## General Fund

	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted
<b>Operating Revenues</b>			
General property taxes	305,693,092	311,526,200	322,871,000
Other local taxes	161,697,210	143,126,000	161,646,000
Permits and fees	3,633,149	3,214,000	3,608,000
Fines and forfeitures	798,931	1,201,000	1,218,000
Charges for services	20,514,713	23,539,021	23,379,568
Miscellaneous	9,866,133	8,983,473	8,976,770
Recovered costs	11,344,116	10,880,725	11,183,290
Commonwealth	330,485,980	334,361,860	346,791,041
Federal	8,838,806	8,736,882	8,790,256
<b>Total Operating Revenues</b>	<b>852,872,130</b>	<b>845,569,161</b>	<b>888,463,925</b>
<b>Operating Expenses</b>			
Personnel services	306,925,880	300,800,805	317,541,332
Contractual services	54,670,142	48,152,310	53,489,887
Materials, supplies and repairs	36,700,768	37,356,944	38,128,993
Department specific appropriation	378,179,964	395,408,289	420,482,630
Public assistance	13,754,047	14,624,306	14,835,674
<b>Total Operating Expenses</b>	<b>790,230,801</b>	<b>796,342,654</b>	<b>844,478,516</b>
<b>Operating Income (Loss)</b>	<b>62,641,329</b>	<b>49,226,507</b>	<b>43,985,409</b>
<b>Non-Operating Revenues (Expenses)</b>			
Use of money and property	8,178,074	7,543,055	7,711,765
Capital outlay	(4,610,024)	(4,046,913)	(5,020,541)
Debt service	(82,503,274)	(73,989,447)	(75,711,821)
Acctg. for Encumbrances for Budget not GAAP	887,281	0	0
<b>Total Non-Operating Revenue/Expense</b>	<b>(78,047,943)</b>	<b>(70,493,305)</b>	<b>(73,020,597)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(15,406,614)</b>	<b>(21,266,798)</b>	<b>(29,035,188)</b>
Operating transfers in	19,900,499	18,482,000	18,768,400
Operating transfers out	(1,384,985)	(9,101,202)	(3,970,212)
<b>Total Operating Transfers</b>	<b>18,515,514</b>	<b>9,380,798</b>	<b>14,798,188</b>
<b>Net Change in Fund Balance</b>	<b>3,108,900</b>	<b>(11,886,000)</b>	<b>(14,237,000)</b>
<b>Beginning Fund Balance at July 1</b>	<b>151,907,756</b>	<b>155,016,656</b>	<b>143,130,656</b>
<b>Ending Fund Balance at June 30</b>	<b>155,016,656</b>	<b>143,130,656</b>	<b>128,893,656</b>

Note: FY 2020 amounts are based on figures in the city's Annual Comprehensive Financial Report.

\*The FY 2021 amount largely reflects carryforward of prior year and anticipated current year savings.

## Special Revenue Funds

	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted
<b>Operating Revenues</b>			
General property taxes	6,268,007	6,482,000	6,768,400
Other local taxes	9,835,813	9,285,596	10,022,596
Fines and forfeitures	0	11,000	11,000
Charges for services	21,965,592	23,269,345	23,201,507
Miscellaneous	1,437,865	487,827	528,070
Recovered costs	1,879	1,607,794	1,607,794
Commonwealth	1,679,229	98,000	112,000
Federal	0	113,617	113,617
<b>Total Operating Revenues</b>	<b>41,188,385</b>	<b>41,355,179</b>	<b>42,364,984</b>
<b>Operating Expenses</b>			
Personnel services	14,477,078	13,475,544	13,964,841
Contractual services	12,660,638	10,774,532	12,023,191
Materials, supplies and repairs	2,841,088	2,599,756	2,786,059
Department specific appropriation	496,271	1,030,157	937,157
<b>Total Operating Expenses</b>	<b>30,475,075</b>	<b>27,879,989</b>	<b>29,711,248</b>
<b>Operating Income (Loss)</b>	<b>10,713,310</b>	<b>13,475,190</b>	<b>12,653,736</b>
<b>Non-Operating Revenues (Expenses)</b>			
Use of money and property	59,849	825,335	850,335
Capital outlay	(4,054,778)	(2,632,200)	(2,858,998)
Debt service	(8,072,998)	(7,846,473)	(6,535,305)
<b>Total Non-Operating Revenue/Expense</b>	<b>(12,067,927)</b>	<b>(9,653,338)</b>	<b>(8,543,968)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(1,354,617)</b>	<b>3,821,852</b>	<b>4,109,768</b>
Operating transfers in	1,628,242	1,584,413	1,929,635
Operating transfers out	(11,350,499)	(8,482,000)	(8,768,400)
<b>Total Operating Transfers</b>	<b>(9,722,257)</b>	<b>(6,897,587)</b>	<b>(6,838,765)</b>
<b>Storm Water Fund Balance</b> (move to Enterprise Funds)*	<b>(4,692,138)</b>	<b>0</b>	<b>0</b>
<b>Net Change in Other Fund Balance</b> (excl. Storm Water)**	<b>(6,384,736)</b>	<b>(3,075,735)</b>	<b>(2,728,997)</b>
<b>Net Change in Fund Balance</b>	<b>(11,076,874)</b>	<b>(3,075,735)</b>	<b>(2,728,997)</b>
<b>Beginning Fund Balance at July 1</b>	<b>23,784,321</b>	<b>12,707,447</b>	<b>9,631,712</b>
<b>Ending Fund Balance at June 30</b>	<b>12,707,447</b>	<b>9,631,712</b>	<b>6,902,715</b>

\*In FY 2019, Storm Water Management Fund was classified a special revenue fund. In FY 2020, the Storm Water Management became an enterprise fund.

\*\*The FY 2020 amount largely reflects the change in fund balance of the Public Amenities Fund and Tax Increment Financing Fund. See Public Amenities Fund and Tax Increment Financing sections for details.

Note: FY 2020 amounts are based on figures in the city's Annual Comprehensive Financial Report.

# SUMMARY OF CHANGES IN NET ASSETS

## Enterprise Funds

	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted
<b>Operating Revenues</b>			
Permits and fees	0	629,505	861,569
Fines and forfeitures	0	3,328,022	2,528,022
Charges for services	164,700,673	164,342,877	167,069,258
Miscellaneous	2,881,094	234,316	234,316
Recovered costs	0	1,003,600	1,003,600
<b>Total Operating Revenues</b>	<b>167,581,767</b>	<b>169,538,320</b>	<b>171,696,765</b>
<b>Operating Expenses</b>			
Personnel services	40,043,304	36,813,654	38,706,266
Contractual services/Materials, supplies and repairs	35,595,990	37,577,881	38,429,056
Depreciation	30,801,125	0	0
Department specific appropriation	0	24,755,224	22,059,562
<b>Total Operating Expenses</b>	<b>106,440,419</b>	<b>99,146,759</b>	<b>99,194,884</b>
<b>Operating Income (Loss)</b>	<b>61,141,348</b>	<b>70,391,561</b>	<b>72,501,881</b>
<b>Non-Operating Revenues (Expenses)</b>			
Use of money and property	3,383,189	2,045,775	2,045,775
Capital outlay	0	(2,448,636)	(5,024,603)
Intergovernmental revenue	125,644	0	0
Miscellaneous revenue (expense)	18,378	0	0
Gain/(Loss)-Sale of fixed assets & investments	(1,331,307)	7,400	7,400
Debt service	(16,888,361)	(59,605,862)	(62,867,198)
<b>Total Non-Operating Revenue/Expense</b>	<b>(14,692,457)</b>	<b>(60,001,323)</b>	<b>(65,838,626)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>46,448,891</b>	<b>10,390,238</b>	<b>6,663,255</b>
Capital Contribution	26,704,589	0	0
Operating transfers in	0	0	0
Operating transfers out	(11,258,675)	(12,165,200)	(12,765,200)
<b>Total Operating Transfers/Capital Contribution</b>	<b>15,445,914</b>	<b>(12,165,200)</b>	<b>(12,765,200)</b>
<b>Net Income (Loss)</b>	<b>61,894,805</b>	<b>(1,774,962)</b>	<b>(6,101,945)</b>
<b>Beginning Net Assets at July 1</b>	<b>495,951,373</b>	<b>557,846,178</b>	<b>556,071,216</b>
<b>Ending net assets at June 30</b>	<b>557,846,178</b>	<b>556,071,216</b>	<b>549,969,271</b>

\*In FY 2020, the Storm Water Management Fund became an enterprise fund.

Note: FY 2020 amounts are based on figures in the city's Annual Comprehensive Financial Report.

## Internal Service Funds

	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted
<b>Operating Revenues</b>			
Charges for services	90,888,792	115,368,867	117,101,494
Miscellaneous	27,892	0	0
Recovered costs	0	63,865	63,865
<b>Total Operating Revenues</b>	90,916,684	115,432,732	117,165,359
<b>Operating Expenses</b>			
Personnel services	3,648,425	4,207,273	4,545,206
Cost of Goods Sold	2,771,944	0	0
Contractual services	79,600,990	107,285,435	108,900,804
Materials, supplies and repairs/Other	4,368,862	4,209,287	3,987,825
Depreciation	257,848	0	0
<b>Total Operating Expenses</b>	90,648,069	115,701,995	117,433,835
<b>Operating Income (Loss)</b>	268,615	(269,263)	(268,476)
<b>Non-Operating Revenues (Expenses)</b>			
Use of money and property	0	3,500	3,500
Capital outlay	0	(37,237)	(38,024)
Miscellaneous revenue (expense)	0	0	0
Gain/(Loss)-Sale of fixed assets & investments	0	3,000	3,000
<b>Total Non-Operating Revenue/Expense</b>	0	(30,737)	(31,524)
<b>Income (Loss) Before Operating Transfers</b>	268,615	(300,000)	(300,000)
Operating transfers in	0	0	0
Operating transfers out	0	0	0
<b>Total Operating Transfers</b>	0	0	0
<b>Net Income (Loss)</b>	268,615	(300,000)	(300,000)
<b>Beginning Net Assets at July 1</b>	1,238,186	1,506,801	1,206,801
<b>Ending net assets at June 30</b>	<b>1,506,801</b>	<b>1,206,801</b>	<b>906,801</b>

Note: FY 2020 amounts are based on figures in the city's Annual Comprehensive Financial Report.

# TRANSFERS FROM/TO

The tables below present certain fund to fund transfers which include: General Fund support of capital projects and special revenue funds; transfers from enterprise activities and special revenue funds to the General Fund; and cash contribution from General Fund and nongeneral funds for capital projects.

<b>Transfer from General Fund to</b>	<b>FY 2022</b>
Capital Improvement Program	2,040,577
Cemetery Fund	291,805
Emergency Preparedness and Response Fund	1,637,830
Grants Fund (estimated) <sup>1</sup>	17,670,100
<b>Total Transfers from General Fund</b>	<b>21,640,312</b>

<b>Transfer to General Fund from</b>	
Public Amenities Fund	3,500,000
Tax Increment Financing Fund	5,268,400
Wastewater Utility Fund	1,500,000
Water Utility Fund	8,500,000
<b>Total Transfers to General Fund</b>	<b>18,768,400</b>

## Capital Improvement Plan Cash Sources

General Fund	14,540,577
Norfolk Public Schools	17,700,000
Parking Facilities Fund	1,450,000
Storm Water Management Fund	1,315,200
Wastewater Utility Fund	9,000,000
Water Utility Fund	21,200,000
<b>Total Capital Improvement Plan Cash Sources</b>	<b>65,205,777</b>

<sup>1</sup> Amount of funds expected to be awarded in FY 2022. See Annual Grants Plan section for details. Actual amount transferred from the General Fund to the Grants Fund may vary based upon the actual grant award.

# FULL TIME EQUIVALENT (FTE) STAFFING SUMMARY

	FY 2020 Adopted FTE	FY 2021 Adopted FTE	FY 2022 Adopted FTE	Change FY 2021 to FY 2022
<b>General Fund</b>				
Budget and Strategic Planning	19.0	23.0	19.0	(4.0)
Circuit Court Judges	5.0	5.0	5.0	0.0
City Attorney	34.0	34.0	34.0	0.0
City Auditor	9.0	9.0	9.0	0.0
City Clerk	14.0	13.0	13.0	0.0
City Council	8.0	8.0	8.0	0.0
City Manager	13.0	13.0	16.0	3.0
City Planning	63.0	61.0	63.0	2.0
City Real Estate Assessor	25.0	25.0	25.0	0.0
City Treasurer	31.0	31.0	31.0	0.0
Clerk of Circuit Court	49.0	46.0	46.0	0.0
Commissioner of the Revenue	38.0	37.0	37.0	0.0
Commonwealth's Attorney	61.0	64.0	64.0	0.0
Communications	18.0	16.0	16.0	0.0
Cultural Facilities, Arts & Entertainment	50.0	41.0	41.0	0.0
Economic Development	18.0	16.0	16.0	0.0
Elections	6.0	6.0	6.0	0.0
Finance Department	56.0	54.0	55.0	1.0
Fire-Rescue	504.0	514.0	514.0	0.0
General Services and Administration	132.2	126.4	128.4	2.0
Housing and Community Development	0.0	0.0	19.0	19.0
Human Resources	33.0	28.0	31.0	3.0
Human Services	481.0	483.0	490.5	7.5
Information Technology	91.0	82.0	84.0	2.0
Libraries	98.5	76.0	95.0	19.0
Nauticus	28.0	27.0	27.0	0.0
Neighborhood Services	52.0	50.0	52.0	2.0
Norfolk Community Services Board	265.3	271.8	272.8	1.0
Police	873.0	859.0	859.0	0.0
Public Health	8.5	7.0	7.0	0.0
Public Works	142.0	129.0	141.0	12.0
Recreation, Parks and Open Space	209.0	151.0	180.0	29.0

	<b>FY 2020 Adopted FTE</b>	<b>FY 2021 Adopted FTE</b>	<b>FY 2022 Adopted FTE</b>	<b>Change FY 2021 to FY 2022</b>
Resilience	4.0	5.0	6.0	1.0
Sheriff and Jail	447.0	440.0	440.0	0.0
Slover Library	27.0	27.0	30.0	3.0
St. Paul's Area Transformation	4.0	5.0	7.0	2.0
Transit	66.0	62.0	62.0	0.0
Zoological Park	52.6	47.0	48.0	1.0
<b>Total General Fund</b>	<b>4,035.2</b>	<b>3,892.2</b>	<b>3,997.7</b>	<b>105.5</b>
<b>Special Revenue Funds</b>				
Cemeteries	31.0	25.0	26.0	1.0
Emergency Preparedness and Response	83.0	82.0	76.5	(5.5)
Towing and Recovery Operations	8.9	8.0	8.0	0.0
Waste Management	106.0	106.0	106.0	0.0
<b>Total Special Revenue Funds</b>	<b>228.9</b>	<b>221.0</b>	<b>216.5</b>	<b>(4.5)</b>
<b>Enterprise Funds</b>				
Parking Facilities	63.2	63.2	67.2	4.0
Storm Water Management	103.0	105.0	111.0	6.0
Wastewater Utility	103.0	103.0	103.0	0.0
Water Utility	290.5	290.0	289.0	(1.0)
<b>Total Enterprise Funds</b>	<b>559.7</b>	<b>561.2</b>	<b>570.2</b>	<b>9.0</b>
<b>Internal Service Funds</b>				
Fleet	52.0	52.0	52.0	0.0
Healthcare	2.0	8.0	8.0	0.0
<b>Total Internal Service Funds</b>	<b>54.0</b>	<b>60.0</b>	<b>60.0</b>	<b>0.0</b>
<b>Total All Funds</b>	<b>4,877.8</b>	<b>4,734.4</b>	<b>4,844.4</b>	<b>110.0</b>

Note: Totals may not add up due to rounding.

**Only permanent positions are reflected in the Budget Document.**

# CITY INDEBTEDNESS

The Virginia Constitution authorizes cities and counties in Virginia to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds, the governing body of the city is required to levy an ad valorem tax on all property subject to local taxation to ensure debt service payment. The issuance of general obligation bonds is subject to a limit of 10 percent of the assessed value of taxable real property in the city.

The Public Finance Act of Virginia authorizes a city in Virginia to issue limited liability revenue bonds provided that the rates, rents, fees or other charges are sufficient to pay the cost of operation and administration and the principal and interest on the bonds when due. In determining general obligation statutory debt limitations, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less, general obligation bonds payable from a specified revenue producing undertaking, so long as the undertaking is self-supporting, capital leases, and revenue bonds. The city's Wastewater and Storm Water enterprise operations finance capital needs through a combination of self-supporting, general obligation and revenue bonds and the water enterprise utilizes only revenue bonds for its financing needs. The city's Parking, Storm Water, Nauticus, Towing and Recovery and Waste Management operations finance capital needs with self-supporting general obligation bonds.

The following table shows the estimated General Obligation Legal Debt Margin for the current fiscal year as of June 30, 2021, and for the past four fiscal years.

As of	Taxable Real Property Assessed Value <sup>(1)</sup>	Debt Limit: 10% of Assessed Value	Debt Applicable to Debt Limit <sup>(4)(5)</sup>	Amount of Debt as % of Debt Limit	Legal Margin for Additional Debt
June 30, 2021 <sup>(2)(3)</sup>	22,087,340,659	2,208,734,066	1,010,638,068	45.76%	1,198,095,998
June 30, 2020	21,134,551,094	2,113,455,109	1,099,194,913	52.01%	1,014,260,196
June 30, 2019	20,344,603,804	2,034,460,380	988,038,371	48.57%	1,046,422,009
June 30, 2018	19,870,880,970	1,987,088,097	1,079,595,115	54.33%	907,492,982
June 30, 2017	19,433,889,018	1,943,388,902	1,065,983,734	54.85%	877,405,168

(1)The figure includes the assessed valuation of the following properties: public service corporations (as assessed by the State Corporation Commission and the Virginia Department of Taxation); and residential, commercial, apartments and vacant land (as assessed by the City Assessor).

(2)Taxable Real Property Assessed Value is estimated as of March 31, 2021.

(3)Projected Debt Applicable to Debt Limit excludes \$243,810,806 of General Obligation Bonds authorized by ordinance for Capital Improvement Projects, but not yet issued.

(4)Includes \$50,375,000 that has been economically defeased, but must be included as part of the city's debt subject to the debt limit.

(5)Existing Debt as March 31, 2021. Exclusive of any future amount borrowed on the Line of Credit and future bond issuance.

## OVERLAPPING DEBT

The City of Norfolk is autonomous and independent of any county or other political subdivision and is not subject to taxation by any county or school district, nor is it liable for any county or school division indebtedness. Currently, there is no overlapping debt.

## STATEMENT OF NO PAST DEFAULT

---

The city has never defaulted on the payment of either principal or interest on its general obligation debt.

## OUTSTANDING DEBT

---

Debt service for General Capital Improvements is funded from the General Fund. The debt of the enterprise and other fee-supported operations are paid from the respective revenues. The estimated total outstanding bonded indebtedness, including revenue bonds, at the end of FY 2021 is estimated to be \$1,299,207,709 (exclusive of the bonds economic defeased, the amount borrowed on the Line of Credit and any future bond issuance).

## GENERAL CAPITAL IMPROVEMENTS–AFFORDABILITY MEASURES

---

City Council's has adopted policies on debt affordability measures. The city's financial policies demonstrate its commitment to sound financial practices and recognize that they contribute to maintaining the city's high credit ratings and lower borrowing costs for capital projects, preserve fiscal integrity, and promote long-term fiscal sustainability. The Capital Improvement Plan (CIP) for General Capital Improvements (bonds not supported by self-supporting user fees) is now guided by five measures of affordability. These measures, or internal debt limits, are as follows:

- Debt Service as a percent of the General Fund budget (remain below 10 percent, with a not to exceed of 11 percent of the General Fund budget)
- Net Debt as a percent of taxable property (remain below 3.5 percent, with a not to exceed of 4 percent of the total assessed value of taxable property)
- Ten-year General Obligation Payout Ratio (retirement of the principal amount of the long-term general obligation bonds by at least 55 percent or greater within 10 years)
- Overlapping Debt Limit (overlapping debt not to exceed 0.5 percent of total assessed value of taxable property)
- Variable Rate Debt Limits (the city's outstanding debt with variable interest rate will not exceed 20 percent by fund)

The FY 2022 Capital Improvement Plan is within the five measures of affordability listed above, and the city plans to continue to remain below a debt to taxable property ratio of 3.5 percent or less and a debt service to budget expenditures ratio of 10 percent or less. However, the new policy levels provide the city flexibility to consider projects of significance and importance in moving the city forward in addressing our resiliency challenges of coastal flooding, neighborhoods resiliency, and economic vibrancy.

## ENTERPRISE OPERATIONS DEBT

---

Norfolk's Water, Wastewater, and Storm Water Revenue Bond programs are governed by bond indentures of trust and financing agreements, which specify debt coverage requirements for their respective operations. Each of the revenue bond programs are backed by the revenues of their respective system. The city has covenanted that it will establish, fix, charge and collect rates, fees, and other charges so that in each Fiscal Year Net Revenues are not less than the debt service coverage requirement. All revenue bond programs, historically and estimated for FY 2022 meet debt coverage requirements. As previously noted, outstanding Wastewater and Storm Water bonds are a

combination of general obligations of the city and revenue bonds and Water bonds are solely revenue bonds. The city's Parking operations finance capital needs with self-supporting general obligation bonds. As a matter of practice, the city pays such general obligation bonds from its respective enterprise activities. In the event that money in the respective funds is not sufficient to pay debt service on the general obligations, the city is obligated to pay such debt service from the General Fund or other available revenues. Per the city's adopted Financial Policies, the Parking Facilities coverage requirement is 1.1 times its total annual debt service and noncompliance must be cured within five years. While the Parking Facilities Fund was out of compliance with this policy in Fiscal Year 2019, as of June 30, 2020, the Parking Facilities Fund was in compliance with this policy. Due to the COVID-19 pandemic, the Parking Fund experienced lower year-over-year revenue resulting from a rapid decrease in parking service needs. However, at this time the city reasonably believes that the Parking Facilities Fund will continue to be compliance with the coverage requirement in Fiscal Year 2021.

## BOND RATINGS

---

Bond or credit ratings are an independent opinion of the general creditworthiness of an issuer, such as the city, based on relevant risk factors. Long-term general obligation ratings are based on an issuer's ability and willingness to repay fully the principal and interest of its debt obligations, on a timely basis. Municipal credit ratings are primarily based on four main factors: the issuer's financial position, the issuer's current and future debt burden, financial management and the economy. Often an investor places significant emphasis on a bond's credit rating to help evaluate a price or willingness to hold the investment.

Each of the three major credit rating agencies in the U.S.: Moody's Investors Service ("Moody's"), S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch") applies its own methodology in measuring creditworthiness and uses a specific rating scale to communicate its ratings opinions. Typically, ratings are expressed as letter grades that range, from 'AAA' to 'D' to communicate the agency's opinion of relative level of credit risk. Credits are further distinguished with "notches" within each rating category. Credit ratings for the city's General Obligation and Water Revenue Bond programs are as follows:

Bonding Program	Moody's	S&P	Fitch
General Obligation	Aa2	AAA	AA+
Water Revenue	Aa2	AA+	AA+

Norfolk's rating on its General Obligations Bonds are considered very strong and continue to assist the city in achieving least cost of funds to finance key capital projects throughout the city. In general, AA category rating signifies very high-quality bonds with some elements of long-term risks and AAA signifies the highest-quality bonds.

The city's Wastewater and Storm Water Revenue Bonds do not maintain an underlying, or stand-alone unenhanced, credit rating.

## Computation of Legal Debt Margin

### June 30, 2021 (Estimated)

Total Assessed Value of Taxed Real Property as of March 31, 2021	\$22,087,340,659
Debt Limit: 10 percent of Total Assessed Value	\$2,208,734,066
Amount of Debt Applicable to Debt Limit: <sup>(1)(2)(3)(4)</sup>	
Gross Debt	\$922,973,068
Economic Defeasance	\$50,375,000
Line of Credit	\$37,290,000
Legal Debt Margin	\$1,198,095,998
Amount of Debt as a percent of Debt Limit	45.76%

- (1) Includes all nongeneral fund supported General Obligation debt such as Wastewater, Parking, Storm Water, Nauticus, Towing and Recovery Operations and Waste Management.
- (2) The Legal Debt Margin computation does not include any Revenue Bond debt issued by the city, because such debt is not subject to the Commonwealth's Constitutional Debt Limit.
- (3) Excludes \$243,810,806 of General Obligation Bonds authorized by ordinance for Capital Improvement Projects, but not yet issued.
- (4) Existing Debt Service as of March 31, 2021. Exclusive of any future amount borrowed on Line of Credit and any future bond issuance.

# YEARLY MATURITY OF LONG-TERM DEBT

Fiscal Year	General Obligation <sup>(1)(2)</sup>			General Obligation Equipment <sup>(1)</sup>			Water Revenue <sup>(1)</sup>		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	59,237,137	31,681,567	90,918,704	2,020,000	311,700	2,331,700	17,170,000	13,504,400	30,674,400
2023	63,842,429	29,048,873	92,891,301	2,030,000	212,050	2,242,050	18,335,000	12,632,275	30,967,275
2024	63,757,722	26,461,605	90,219,327	585,000	148,275	733,275	19,440,000	11,687,900	31,127,900
2025	61,788,016	24,071,721	85,859,736	460,000	120,750	580,750	18,075,000	10,757,525	28,832,525
2026	61,668,310	21,919,775	83,588,085	355,000	100,375	455,375	19,170,000	9,833,900	29,003,900
2027	62,508,605	19,879,520	82,388,125	355,000	82,625	437,625	12,010,000	9,051,200	21,061,200
2028	62,998,901	17,729,220	80,728,121	190,000	69,000	259,000	12,700,000	8,426,875	21,126,875
2029	55,784,198	15,549,212	71,333,410	1,285,000	32,125	1,317,125	13,505,000	7,764,775	21,269,775
2030	54,295,290	13,482,175	67,777,465	-	-	-	8,700,000	7,202,263	15,902,263
2031	49,655,290	11,691,373	61,346,663	-	-	-	9,395,000	6,755,025	16,150,025
2032	49,890,290	9,718,326	59,608,615	-	-	-	9,695,000	6,296,125	15,991,125
2033	42,880,290	8,016,007	50,896,297	-	-	-	8,080,000	5,856,644	13,936,644
2034	24,920,290	6,849,334	31,769,624	-	-	-	8,515,000	5,432,450	13,947,450
2035	24,150,290	6,102,161	30,252,451	-	-	-	9,000,000	4,984,694	13,984,694
2036	31,460,290	5,261,387	36,721,677	-	-	-	9,485,000	4,520,213	14,005,213
2037	32,170,290	4,188,620	36,358,909	-	-	-	8,565,000	4,076,256	12,641,256
2038	28,775,290	3,144,999	31,920,288	-	-	-	9,015,000	3,648,931	12,663,931
2039	19,780,145	2,416,107	22,196,251	-	-	-	9,490,000	3,201,763	12,691,763
2040	7,425,000	1,980,800	9,405,800	-	-	-	7,705,000	2,790,644	10,495,644
2041	7,590,000	1,733,442	9,323,442	-	-	-	8,075,000	2,421,731	10,496,731
2042	5,670,000	1,520,325	7,190,325	-	-	-	8,480,000	2,016,988	10,496,988
2043	7,025,000	1,323,706	8,348,706	-	-	-	8,920,000	1,570,613	10,490,613
2044	7,215,000	1,103,108	8,318,108	-	-	-	10,050,000	1,079,869	11,129,869
2045	7,410,000	877,020	8,287,020	-	-	-	10,590,000	541,981	11,131,981
2046	7,600,000	643,921	8,243,921	-	-	-	1,685,000	223,875	1,908,875
2047	7,935,000	395,553	8,330,553	-	-	-	1,770,000	137,500	1,907,500
2048	5,400,000	178,431	5,578,431	-	-	-	1,865,000	46,625	1,911,625
2049	2,860,000	45,560	2,905,560	-	-	-	-	-	-
<b>Total</b>	<b>915,693,068</b>	<b>267,013,849</b>	<b>1,182,706,917</b>	<b>7,280,000</b>	<b>1,076,900</b>	<b>8,356,900</b>	<b>279,485,000</b>	<b>146,463,038</b>	<b>425,948,038</b>

\*Fiscal Year amounts may not add to total due to rounding.

# YEARLY MATURITY OF LONG-TERM DEBT (CONTINUED)

Fiscal Year	Wastewater Revenue <sup>(1)</sup>			Storm Water Revenue <sup>(1)</sup>			Totals <sup>(1)</sup>		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	7,581,123	110,126	7,691,249	18,099	435	18,534	86,026,359	45,608,228	131,634,587
2023	8,326,083	84,644	8,410,727	36,266	802	37,067	92,569,777	41,978,644	134,548,421
2024	8,351,409	59,840	8,411,249	36,357	711	37,067	92,170,487	38,358,331	130,528,819
2025	8,069,697	34,141	8,103,838	36,448	620	37,067	88,429,160	34,984,757	123,413,917
2026	7,773,641	17,298	7,790,938	36,539	529	37,067	89,003,490	31,871,876	120,875,366
2027	7,068,301	5,147	7,073,447	36,630	437	37,067	81,978,536	29,018,929	110,997,465
2028	7,075,106	-	7,075,106	36,722	346	37,067	83,000,729	26,225,440	109,226,170
2029	5,676,919	-	5,676,919	36,814	254	37,067	76,287,931	23,346,366	99,634,297
2030	5,251,919	-	5,251,919	36,906	162	37,067	68,284,115	20,684,600	88,968,714
2031	4,826,919	-	4,826,919	36,998	69	37,067	63,914,207	18,446,467	82,360,674
2032	4,451,919	-	4,451,919	-	-	-	64,037,209	16,014,451	80,051,660
2033	3,951,919	-	3,951,919	-	-	-	54,912,209	13,872,651	68,784,860
2034	3,719,419	-	3,719,419	-	-	-	37,154,709	12,281,784	49,436,493
2035	3,196,936	-	3,196,936	-	-	-	36,347,225	11,086,855	47,434,080
2036	2,656,952	-	2,656,952	-	-	-	43,602,242	9,781,600	53,383,842
2037	2,074,055	-	2,074,055	-	-	-	42,809,345	8,264,876	51,074,221
2038	1,670,000	-	1,670,000	-	-	-	39,460,290	6,793,930	46,254,200
2039	1,457,045	-	1,457,045	-	-	-	30,727,189	5,617,869	36,345,059
2040	1,345,000	-	1,345,000	-	-	-	16,475,000	4,771,444	21,246,444
2041	1,157,500	-	1,157,500	-	-	-	16,822,500	4,155,174	20,977,674
2042	720,000	-	720,000	-	-	-	14,870,000	3,537,313	18,407,313
2043	-	-	-	-	-	-	15,945,000	2,894,318	18,839,318
2044	-	-	-	-	-	-	17,265,000	2,182,977	19,447,977
2045	-	-	-	-	-	-	18,000,000	1,419,001	19,419,001
2046	-	-	-	-	-	-	9,285,000	867,796	10,152,796
2047	-	-	-	-	-	-	9,705,000	533,053	10,238,053
2048	-	-	-	-	-	-	7,265,000	225,056	7,490,056
2049	-	-	-	-	-	-	2,860,000	45,560	2,905,560
<b>Total</b>	<b>96,401,864</b>	<b>311,196</b>	<b>96,713,060</b>	<b>347,777</b>	<b>4,364</b>	<b>352,141</b>	<b>1,299,207,709</b>	<b>414,869,346</b>	<b>1,714,077,055</b>

(1) Existing Debt Service as of June 30, 2021. Exclusive of bonds economic defeased, the amount borrowed on the Line of Credit, and any future bond issuance.

(2) General Obligation bonds have been used to finance Wastewater, Parking, Storm Water, Nauticus, and Towing and Recovery, and Waste Management projects. The bonded debt associated with those projects is self-supported by the respective funds. The Debt Service portion of the General Fund budget finances only General Capital projects, and equipment, but not its self-supporting funds.

This page intentionally left blank